MARKET STUDY FOR SHANDON

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PLANNING & BUILDING DEPARTMENT

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EXECUTIVE SUMMARY

The community of Shandon is located in northeastern San Luis Obispo County, about 20 miles east of Paso Robles near the intersection of State Route 46 East (SR 46) and State Route 41 (SR 41). The community encompasses about 380 acres (about 0.6 square mile) within its urban boundary, and has about 1,000 residents (2000 Census).

In 2004, the County Board of Supervisors authorized a comprehensive planning process that will produce an update of the Shandon Community Plan. A key issue to be addressed by the update is how to assess the potential for development of new business opportunities in Shandon. New businesses would provide goods and services that residents would like to purchase locally; in addition, they would improve the economic stability of downtown.

At present, Shandon has two small grocery stores; a combination gas station and convenience store has been approved for a location at the intersection of SR 41 and SR 46; and a small commercial center, located on Centre Street just east of 8th Street, was approved several years ago but has not yet been built. Residents have expressed interest in attracting a supermarket, restaurant/café, barber shop/beauty salon, laundromat, drug store, video store, and a variety of other outlets.

This report attempts to identify the minimum population that Shandon would need to attract some of these desired uses. The conclusions of the report are based on (1) interviews with companies that have stores in San Luis Obispo County, intended to identify those companies' location criteria, and (2) information about other California communities that are located similarly to Shandon (that is, on a state highway and some distance from a larger city) that have between 1,000 and 15,000 residents.

The investigation yields the following conclusions:

- **Supermarket**: Shandon would have to have a population of at least 6,000 residents to attract a supermarket. Even at that size, attraction of a supermarket may be difficult, given the existence of two smaller markets and the approval of a convenience store as part of the service station at the intersection of the two state highways.

  Based on the completed interviews and the evidence from comparison cities, it appears that a population between 10,000 and 15,000 would be more likely to attract a store of supermarket scale. Independent stores, which may participate in cooperative buying arrangements, are more likely to locate in communities with fewer than 10,000 residents.

- **Other stores/services**: Threshold population sizes for other types of uses vary, and depend critically on whether the outlet is part of a chain operation or is independently owned. Pharmacies appear to be the most difficult to attract, because they are typically located near medical offices. Locally-owned restaurants and service establishments are more likely to locate in smaller communities, if they can find appropriate space.

- **Chains vs. independents**: For communities with fewer than 15,000 residents and especially for communities with fewer than 10,000, the major source of new business development is local residents who perceive a need in the community or who have a particular interest. These residents open independent businesses without regard for the location criteria of more structured national chain organizations, and they appear to own and operate most of the businesses in small communities.

- **Visitor-oriented development**: Development that attracts visitors to Shandon could also help support a larger commercial base than could be supported by residents alone. The amount of support provided would depend on several factors, including length of stay, whether the visitors' (potential) purchases are captured within a destination or are encouraged to spill over into the community, and whether there are stores and restaurants in the community that are attractive to the visitor population.

  Opportunities for Shandon to capture more visitation, and more visitor spending, could include the development of a wine tasting center in the community (on Centre Street); the development of one or more golf courses, possibly with residential development (second homes, retirement homes, visitor accommodations) as a second or subsequent phase; an increase in the number of nights for the Mozart Festival at the Chapel Hill location; and/or the development of facilities for, and promotion of, dude/guest ranch stays in the immediate vicinity.

- **Retirement Housing**: Strategic planning for the types of housing to be built could enhance Shandon's ability to attract some new types of businesses and services. For example, retirement communities could introduce a population segment with not only relatively large amounts of disposable income, but also relatively high demand for medical services. Such demand could attract one or more part-time or full-time medical practitioners, and could thereby improve the community's likelihood of attracting a part-time or full-time pharmacy.

- **Other considerations: site availability**: Attracting desired retailers and restaurants to Shandon and assuring that Shandon attracts the type of retail development it desires will require more than just achieving the threshold population size. A key additional factor is the availability of appropriate sites. To be appropriate, a site must normally be located near other businesses, have good visibility and access from the road, have sufficient size for the business (and required parking), and be affordable to the business. Adequate infrastructure, such as connection to a sewer system, is also helpful. Existing buildings – of which there are few, if any, in Shandon – are likely to be more affordable to start-up and independent businesses.

- **Other considerations: urban form**: In Shandon, the community's preferences for the physical character of development – e.g., a "Main Street," pedestrian-oriented configuration vs. an auto-oriented arrangement – could influence decisions about where new commercial uses should be located. A key consideration will be whether to encourage the location of a business cluster within the existing urban core (Centre Street), where it would be more attractive to local residents, or along SR 46 (near the proposed gas station/convenience store), where it could have a better chance of attracting pass-by traffic.

CHAPTER 1
INTRODUCTION

PURPOSE OF THE MARKET STUDY

The community of Shandon is located in northeastern San Luis Obispo County, about 20 miles east of Paso Robles at the intersection of State Route 46 East (SR 46) and State Route 41 (SR 41). The community encompasses about 380 acres (about 0.6 square mile) within its urban boundary, and has about 1,000 residents (2000 Census). The community is surrounded by agricultural land.

Existing commercial facilities in Shandon are limited: they include two grocery stores, one of which opened since this study began. Public services and physical infrastructure are also limited: the community has a post office, a branch County library, and a community center, but no medical or dental services (the nearest community hospital is in Templeton, 26 miles away); some streets are not paved, and there is no sewer system or public transportation system.

Two nonresidential projects have been approved. A community-scaled commercial project, with a total of approximately 23,000 square feet of building space, has been approved for a location northeast of the intersection of Centre Street (SR 41) and Eighth Street. A gas station with a convenience store, located at the intersection of SR 46 and SR 41 has also been approved and is awaiting annexation to the County Service Area, which provides water in the Shandon area.

Additional proposals for development are expected in the future: the owners of a major (400-acre) agricultural holding are expected to submit a development proposal, and other owners of land in the agricultural reserve area have filed a notice of nonrenewal of their existing Williamson Act contract, which means that their property could be available for development in 10 years or less. The owners of the approved community commercial center are also interested in development of the land surrounding the commercial site, primarily with residential uses.

The County of San Luis Obispo is now beginning an update of the Shandon Community Plan. Among the issues to be addressed in this update are the potential for growth in the community and the amount of growth that should be permitted. One factor that will enter into the consideration of how much growth to allow will be the amount that would be required to support additional commercial and public services of the types desired by residents.

This study is intended to provide information about the number of households required to support different types of stores and services. It is expected that this market information will be one of the inputs – along with physical constraints, attitudes about community character and lifestyle, and possibly other considerations – that residents and County planners will use to guide their decisions about how much growth potential to include in the Community Plan.

THE STUDY PROCESS

The following steps were completed to prepare this study:

1. Meet with the Shandon Advisory Committee. Mundie & Associates staff presented an overview of the study to the Advisory Committee meeting of July 6. The presentation outlined the purpose of the study and provided some context for the consideration of retail market requirements by considering other communities in San Luis Obispo County. At the conclusion of the presentation, meeting attendees were asked to fill out a questionnaire that solicited their priorities for new businesses and information about their level of interest in attracting a visitor destination that could help support local-serving retail businesses.
2. Meet with planners and stakeholders. Mundie & Associates met with County planning staff and representatives of landowners with major holdings in the Shandon area. From County staff, the consultants obtained background information about previous and ongoing planning efforts and the concurrent constraints analysis. From the landowners' representatives, Mundie & Associates obtained information about possibilities for future land use proposals on major holdings in the greater Shandon area.
3. Review published reports about Shandon. In particular, this review included U.S. Census data in addition to the Shandon Plan, prepared by planning students at Cal Poly San Luis Obispo, and a previous survey of Shandon residents conducted by the Shandon Community Advisory Committee.
4. Identify and interview representatives of retail stores and restaurants. The purpose of these interviews was to solicit information about how the businesses select new locations and, most particularly, how big the population of Shandon would have to be to attract new commercial development of the types identified by the community.
5. Investigate existing retail and restaurant presence in communities that are comparable to Shandon. "Comparable" communities were selected based on population size, location relative to larger population centers, median income, and absence of specific destinations for non-residents (e.g., colleges or universities, prisons, or military bases).
6. Identify and investigate visitor-based development opportunities. Of the 16 questionnaires that were returned at the Shandon Advisory Committee meeting of July 6, 13 expressed some interest in visitor-serving destinations if they would help Shandon attract businesses that are desired by residents. Mundie & Associates contacted one resort developer and reviewed current literature to assess Shandon's potential to attract visitor destination uses.
7. Prepare and submit interim report. A draft of this report, summarizing the investigation, findings, and tentative recommendations, was submitted to the Planning & Building Department for their review. The interim report also formed the basis for Step 8.
8. Check in with the community. Mundie & Associates staff presented the findings and recommendations contained in the interim report to the Shandon Advisory Committee at their meeting on November 2, 2005, and solicited their feedback on the tentative conclusions of the study.
9. Prepare and submit final report. The interim report was refined, as appropriate, to reflect comments by County staff and participants at the Shandon Advisory Committee meeting of November 2.

OVERVIEW OF THIS REPORT

The findings and conclusions of this study are presented in an Executive Summary that precedes this introductory chapter.

Chapter 2 of this report provides background information about the Shandon community and a foundation for the study. It describes the location of Shandon, existing conditions in the community, proposed projects, and plans for future development. It also lists the types of businesses and services that Shandon residents would like to attract to their community.

Chapter 3 summarizes the investigation of existing businesses of the types that Shandon residents seek. The investigation focused primarily on (but was not limited to) retail outlets and restaurants that have existing locations in San Luis Obispo County and Fresno County. This focus recognizes that businesses that already travel SR 41 and SR 46 on their supply circuit may have more interest in Shandon than businesses that would have to extend a new route to or through the community.

Chapter 4 presents the findings of the investigation of comparison communities; that is, communities that are similar to – but larger than – Shandon. This chapter begins with information from the presentation made to the Shandon Advisory Committee at the meeting of July 6, but continues with information about 23 other communities, ranging in size from 1,000 to 15,000 residents. This segment of the study is intended to identify the array of businesses that could reasonably be attracted to Shandon as it grows larger over time.

Chapter 5 provides information that may be used to assess Shandon's potential to attract a visitor destination project that would bolster market support for local businesses. It reviews the level of interest in tourist-oriented development expressed by people who attended the July 6 Advisory Committee meeting; then discusses opportunities for the development tourist attractions that might make sense in Shandon; and ends with a reminder that any tourist-oriented attraction should be considered in light of its potential to support the types of retail stores, restaurants, and services desired by the community.

Finally, Chapter 6 presents the conclusions of the study and identifies some factors that the community may wish to consider as it proceeds with its planning process.

Two appendices provide additional information. Appendix A presents a conventional approach to estimating support for restaurants and grocery stores, based on average household spending and average revenues per square foot of restaurant/store space. Appendix B diagrams the sizes of sites that would be required for new grocery stores, given zoning requirements for provision of off-street parking.

CHAPTER 2
BACKGROUND

SHANDON TODAY

Location and Setting

The community of Shandon is located in northeastern San Luis Obispo County, in the hills that straddle the boundary between San Luis Obispo County and Kern County. Although Shandon lies toward the eastern edge of San Luis Obispo County (about 10 miles from its boundary Kern County), it is separated from the San Joaquin Valley topographically by a range of hills and it is separated from major population centers (Visalia and Bakersfield) by a distance of nearly 100 miles. Thus, it remains within the economic sphere of San Luis Obispo and the Central Coast. Figure 1 shows Shandon in its regional context.

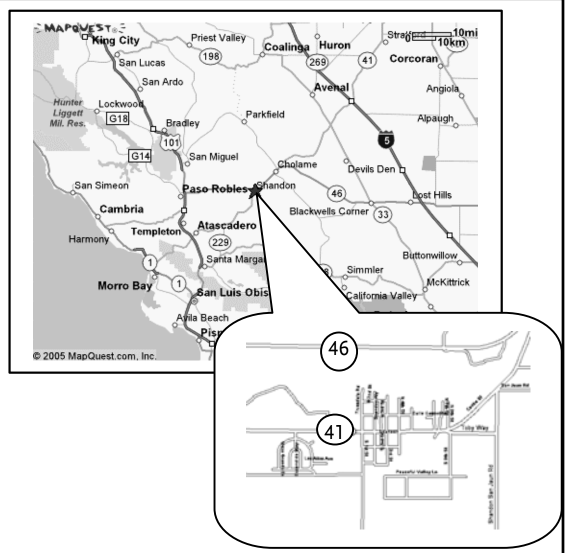

Figure 1
Regional Location

Source: Yahoo.com (map); Mundie & Associates.

Shandon is adjacent to State Route 46 (SR 46), and its main street, Centre Street (SR 41), runs through the center of town. The existing urban boundary is 0.6 square miles (380 acres).

The closest urban areas are Paso Robles (about 20 miles), Templeton (about 26 miles), and San Luis Obispo (about 50 miles via SR 46 and US 101). Each of these towns supports more facilities and services than Shandon including retail, medical centers, and, in Paso Robles and San Luis Obispo, an airport. Shandon currently offers few services for residents.

Agricultural land, consisting primarily of vineyards and farms, surrounds Shandon's urban boundary. Agricultural production in the County has shifted away from capital-intensive field crops towards more profitable, labor-intensive crops. The stretch of vineyards along SR 46 between Paso Robles and Shandon illustrates this shift.

Population and Households

The 2000 U.S. Census counted 986 people and 267 households in Shandon.

The Census also found 286 total housing units: 263 single-family detached, four single-family attached, four duplexes, and 15 mobile homes. The median house value was $105,900.[1]

[1] For comparison, the median housing value in California in 2000 was $211,500, and the median in the U.S. was $119,600.

Social and Economic Characteristics

The median household income in Shandon in 1999 (reported in the 2000 Census) was about $35,000. One quarter (25 percent) of households had incomes of less than $21,900, and 25 percent had incomes of more than $57,200.[2]

Shandon is an ethnically diverse community. The 2000 Census reported that 71.2 percent of the population identifies as White, 22.2 percent identify as another race, and 6.6 percent identify as two or more races. Almost half (47.7 percent) of the population identifies as Hispanic or Latino.[3]

Other key social and economic characteristics reported in the 2000 Census:[4]

- The median age in Shandon in 2000 was 26.5 years old.
- About 50 percent of the households in Shandon have children younger than 18 years of age.
- About 77 percent of the population aged 60 or older is retired.

Of the 689 residents of Shandon aged 16 years and older in 2000, 434 were in the labor force and 408 (94 percent) were employed. Table 1 details the different types of Shandon residents' occupations.

Table 1
Occupations of Shandon Residents

Occupation Group	Percentage of Population in Shandon
Management, Professional, and Related	20
Service	15
Sales and Office	12
Farming, Fishing, and Forestry	32
Construction, Extraction, and Maintenance	9
Production, Transportation, and Material Moving	12

Source: U.S. Census, 2000.

Businesses and Services

Most of the existing businesses in Shandon are agricultural and agricultural service operations. Businesses that serve the general population are the Shandon Market and La Salsa Market. Shandon also has a post office, a branch County library, and a community center.

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2 For comparison, the median household income in California in 1999 was about $47,500, about 25 percent of households had incomes of less than $24,600, and about 25 percent had incomes greater than $83,200.

3 For comparison, about 60 percent of California residents in 2000 were white, 36 were another race, and nearly 5 percent identified as two or more races. About 32 percent were Hispanic or Latino.

4 Statewide comparisons: median age in 2000 was 33; about 36 percent of households had children younger than 18; and about 78 percent of the population 60 years old or older was retired.

Shandon Market

The Shandon Market, located at 240 E. Centre Street, opened 22 years ago. The market, which occupies 3,500 square feet, carries a full line of grocery items including basic groceries, beverages, and candy. The market receives its grocery deliveries from Paso Robles.

Owner Samuel Sanchez, a Shandon resident, estimates that the Shandon Market has historically captured about 20 percent of grocery purchases by Shandon residents but, since La Salsa opened earlier this year (see below), that share has dropped to about 5 percent.

Mr. Sanchez states that the market carries about 80 percent of what the town wants. He thinks the Shandon residents would like a store in the town to provide clothing and shoes. He does not foresee carrying these items, however, in the future.

Mr. Sanchez does not prefer any other location for the market; the location of his store will not affect the success of his business. In his opinion, the completion of a new commercial center will also not affect his business. He believes that the presence of manufacturing jobs in Shandon would be helpful: he notes that most Shandon residents currently shop in the towns where they work (such as Paso Robles), and if more people worked in town, they would be more likely to shop at Shandon Market.

La Salsa Market

La Salsa Market, located on Third Street, opened on August 1, 2005. The owner is Moises Gomez, a Shandon resident. The market, which occupies 2,010 square feet, stocks mainly Mexican foods (fresh foods, canned goods, and staples used in Mexican cooking). It also has a Mexican bakery and a Mexican butcher. Mr. Gomez estimates that about 20 percent of the population in Shandon shops at the market. Mr. Gomez has also obtained approvals and purchased supplies to open a restaurant, which would be open primarily on the weekends.

Mr. Gomez opened the market after years of operating a catering company in Shandon and Paso Robles. The market is located in the only available commercial building site in Shandon. Mr. Gomez would have preferred a newer building designed for use as a market and located on a corner site.

The owner states that his greatest operating expense is the cost of obtaining stock from distributors who normally do not deliver to Shandon. He pays a premium for delivery because suppliers provide stock to the market in their spare time, rather than as part of their established service routes. Due to the limited array of goods handled by his suppliers, some items Mr. Gomez would like to offer (phone cards, cigars, and brand name goods) are not available at La Salsa.

Mr. Gomez estimates that Shandon would have to have a population of 7,000 to enable him to offer additional goods. Other changes in Shandon that would help improve his business include streetlights, a small police station branch, and a health clinic. Mr. Gomez feels that if Shandon had a business, such as a factory would keep people in town during the day, his business would improve. If another market were to open in Shandon that sold similar goods, however, it would have an adverse effect on his business.

SHANDON TOMORROW

Proposed Development Projects

Several development projects and one highway improvement project are proposed for Shandon and its vicinity. These projects will alter the location characteristics of the community that are relevant to a market assessment. Locations of these projects are shown in Figure 2.

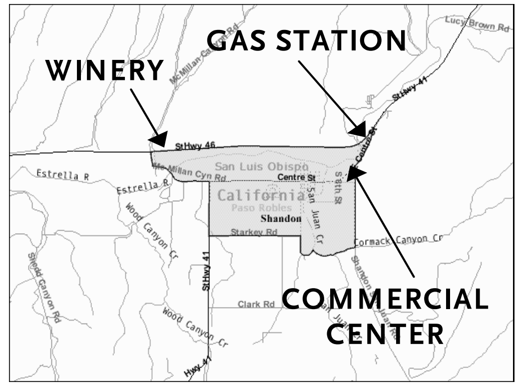

Figure 2
Proposed Development Projects

Source: U.S. Census Bureau (map); Mundie and Associates.

Approved Commercial Center

The Creekside Village Retail Center is proposed to be located on Centre Street just east of Eighth Street. The plan for the center includes one market space (5,800 square feet), one restaurant pad (1,800 square feet), nine retail shop spaces (totaling 11,000 square feet), one Mini-Mart (1100 square feet), one gas station, and 83 parking stalls.

This center was approved in 2003. Grading for construction is expected to start in 2005.

Gas Station/Convenience Store

The County approved a new gas station and convenience store, to be located at the intersection of SR 41 and SR 46, in 2005. The gas station will have six fueling pumps. The market will contain about 3,600 square feet of building space.

The site must be annexed to the County Service Area, which provides water in the Shandon area, before development can begin.

Arciero Farms Winery

A large winery (36,500 square feet) with a public tasting room was approved in May, 2005 for a location on SR 46 just outside of Shandon. The timeline for completion of this project is not known.

SR 46 Corridor Improvement Project

SR 46 is a major arterial route, connecting Paso Robles to the Central Valley. Delivery trucks as well as passenger vehicles heavily use the roadway, an annual average of 13,000 vehicles per day (in both directions) and 17,000 vehicles per day in the peak month. Caltrans is evaluating final alignments to the SR 46 corridor including:

- Converting the current two lanes to four lanes (Indicated section of SR on Figure 3).
- Providing access to Whitley Gardens at Estrella Road and Dry Creek Road.

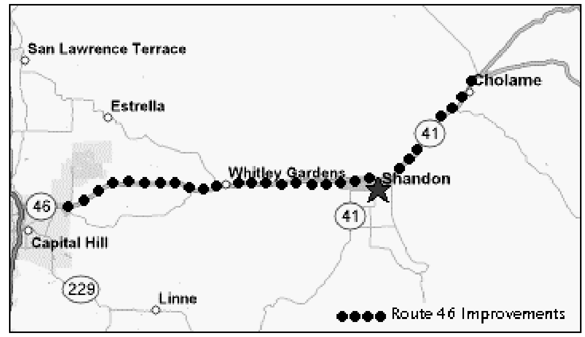

Figure 3
Caltrans Project Location Map: SR 46

Source: MapQuest.com, Inc., 205 (map); Mundie and Associates.

Future Projects

Private Development

Several landowners with large holdings in the immediate vicinity of Shandon have made known their interest in future development of their properties. These properties, mapped in Figure 4, include:

- Nearly 300 acres known as the Arciero/Halpin properties. These properties, located on the eastern end of developed Shandon, include the site that has been approved for development of the commercial center (see p. 10). This property is anticipated to develop in two phases: Phase 1 would encompass all of the land not currently zoned for agricultural use (approximately 106 acres), and Phase 2 would encompass the remainder (approximately 185 acres).
- Approximately 570 acres comprising the Peck Ranch, located generally between Centre Street on the south and west, SR 46 on the north, and the Shandon urban service limit line on the east. This land is currently in agricultural preserve pursuant to a "Williamson Act" contract, but the owners have filed for nonrenewal of that contract. (The nonrenewal would take effect, making the land available for development, in 2014.) A portion of this land could be unavailable for development because of environmental constraints (currently under study).

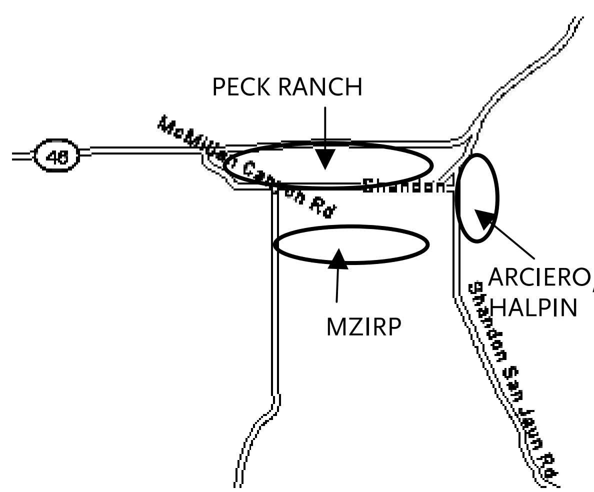

Figure 4
Future Projects (Major Land Holdings)

Source: Yahoo Inc., 2005 (map); Mundie & Associates.

- 400 acres known as the MZIRP property, located on the south side of Shandon, between the properties that front on Centre Street and Starkey Road.

All together, these areas encompass a total of about 1,270 acres. Assuming that 800 acres are developable for urban uses, this land could accommodate a population of up to 14,000 new residents. This estimate assumes that streets occupy 25 percent of the area; five acres of park land are provided for every 1,000 new residents (a typical urban standard); and up to two acres of commercial and public uses are developed for every 1,000 residents.

Medical Services

Community Health Centers of the Central Coast (CHCCC), which operates medical clinics in northern Santa Barbara and San Luis Obispo counties, is preparing an application for funding to provide regular part-time medical services in Shandon. In San Luis Obispo County, CHCCC currently operates clinics in Nipomo, Arroyo Grande (two locations), Templeton (two locations), Atascadero, Paso Robles, San Luis Obispo (two locations), and Morro Bay.

CHCCC provides medical services regardless of ability to pay. Its charges are based on a sliding scale, tied to household income. The centers rely on funding from federal, state, and local governments. Service in Shandon would become possible if the grant application, to be submitted at the end of 2005, is successful.

The proposed service in Shandon would be provided from a mobile unit that also provides services in San Miguel, in the northern part of the County along US 101, and in California Valley, about 45 miles east of Santa Margarita via SR 58. The van would visit Shandon two or three days per week, and would be open for about four hours in the late afternoon and early evening.

If CHCCC does begin service in Shandon, it would also provide pharmacy services to its patients. Prescriptions for CHCCC patients could be filled at the service center, at other cooperating pharmacies in San Luis Obispo County, or through a cooperating mail-order service. The cost of prescription medications would depend on the patient's income.

COMMUNITY NEEDS AND DESIRES

Several studies and surveys have been done in Shandon to assess the community's needs. They include data compiled by County staff during Shandon Advisory Committee meetings, the Shandon Plan (a student project at Cal Poly San Luis Obispo), and a survey of people who attended the Shandon Advisory Committee meeting of July 6, 2005.

San Luis Obispo County Study of Shandon

County planning staff has compiled an inventory of community "wants and desires" from a variety of sources, including:

- The Shandon Top Ten Priorities, provided by the Shandon Advisory Committee.
- Comments made during Shandon Advisory Committee meetings.

- The Community Assessment of Shandon, prepared in 2002 by Joel Diringer for EOC Migrant and Seasonal Head Start.
- The survey conducted by Opinion Studios in 2004 on behalf of Fallingstar Homes, Inc.
- The Proposed Shandon Plan, prepared by the Community Planning Lab of the Cal Poly San Luis Obispo City and Regional Planning Department (see below).

The list of Shandon's wants and desires includes both new commercial goods (a grocery store and a gas station, for example) and services and public improvements and services in the community (improved infrastructure and a local police station, for example). This study focuses on the community's commercial wants and desires.

A follow-up meeting was held by the Shandon Advisory Committee to rank the list of Shandon's wants and desires in order of priority. In the ranked list, a grocery store was the only commercial activity that appeared in the top ten items. Table 2 summarizes the results of the survey for commercial goods and services.

Table 2
Overall Ranking of Shandon's Commercial Wants and Needs

Shandon's Commercial Wants and Needs	Overall Priority*
Grocery Store	6
Gas Station	16
Laundromat	17
Bank	19

* The Shandon Advisory Committee conducted a survey in which participants were to choose 10 items from a list of 22, giving the top 1-5 choices 2 points each, and the second 6-10 choices 1 point each. Points were then added together to give high priority wants and needs more weight.

Source: San Luis Obispo County, Department of Planning and Building, September 2005.

Shandon Plan

Students in the Community Planning Lab at the California Polytechnic Institute (Cal Poly San Luis Obispo) wrote the Shandon Plan in May, 2004 as a school project. This plan is not adopted and has no official status, but offers an in-depth investigation of Shandon. The Community Planning Lab intended the Shandon Plan to be used as a tool by the residents of Shandon, County staff, and the Board of Supervisors for guiding development in the Shandon area.

The Plan addresses needs for future community-serving development including the need for commercial uses in Shandon. It also identifies some concerns and options relating to commercial uses, which are summarized in Table 3.

Table 3
Concerns and Options Relative to Shandon Commercial Development

Concern Raised	Possible Option
The lack of a supermarket in the community.	Locate a grocery store at the intersection of Toby Way and Eighth Street.
The lack of services that provide everyday goods and services, such as a gas station, in the community.	Locate commercial services in vacant lots along Centre Street.
The large amount of commercial zoned land in the town.	Concentrate auto-oriented commercial development at the intersection of SR 41 and SR 46 and concentrate pedestrian-friendly development along Centre Street.

Source: Proposed Shandon Plan, Cal Poly San Luis Obispo, March 2004.

Shandon Advisory Committee Meeting

At the Shandon Advisory Committee meeting of July 6, 2005, attendees were asked to complete a questionnaire on the future of Shandon. The survey addressed two aspects of Shandon's future growth opportunities:

- Types of goods and services the community wants.
- Whether tourism would contribute positively to Shandon.

Table 4 summarizes the lists of goods and services identified by people who completed the questionnaire. Many questionnaires included a grocery store, a barber shop or beauty salon, a medical office or a clinic, and a laundromat; the majority requested a restaurant or café and a gas station.

Table 4
Commercial Goods and Services Desired

Goods and Services	Number of Requests
Restaurant/Café	10
Gas station	7
Grocery store	6
Barber shop/Beauty salon	5
Laundromat	5
Drug store	3
Video store	3
Other*	22

* "Other" excludes public services and other noncommercial uses and includes eye care (2), auto repair (2), truck stop (2), bank/ATM (2), gym (2), deli (2), home maintenance improvement services (2), movie theater (1), dry cleaner (1), donut shop (1), Mexican food restaurant (1), sports bar (1), hotel (1), manufacturing base (1), and law office (1).

Source: Questionnaire completed by people who attended the Shandon Advisory Committee Meeting, July 6, 2005.

Noncommercial goods and services requested by people who attended the meeting include medical offices or clinic (five requests) and a dentist office (three requests).

Responses to questions about tourism are summarized in Chapter 5.

DIRECTION FOR THIS STUDY

Drawing on the lists of needs and desires identified by the County study and the residents of Shandon, this study focuses on the threshold population and other characteristics required for Shandon to attract a supermarket, a restaurant, and selected other retail outlets.

CHAPTER 3
BUSINESS LOCATION DECISIONS:
COMMUNITY SIZE AND OTHER CONSIDERATIONS

FRAMEWORK FOR THE INVESTIGATION: BUSINESS LOCATION CRITERIA

What Are Business "Location Criteria"?

One way to find out how big Shandon must be to attract the types of retail outlets people want is to identify businesses' location criteria for establishing new locations. Retail businesses of different types have different location criteria, some more specific than others. Most businesses, however, include the size of a population in their target market area as a key indicator in deciding whether and where to open a new store. (Other location criteria may include, for example, the average daily traffic that passes by a specific location, income levels in the community, proximity of other stores, number of allotted parking spaces, and number of people with a college education.)

Therefore, Mundie & Associates contacted existing businesses of the types sought by Shandon residents to find out how they decide where to open new outlets.

The investigation of stores' location criteria focused on the goods and services requested most often by the community as indicated in the data assembled by County staff and the questionnaire completed by people who attended the Advisory Committee meeting of July 6. These goods and services included a grocery store, a restaurant, a pharmacy, a video store, a barber shop/beauty salon, medical offices or health clinic, a laundromat, and a dry cleaner (see Table 2, p.13 and Table 4, p.14).

Businesses Included In Shandon Study

To begin, Mundie & Associates chose specific stores and restaurants based on their proximity to Shandon. Chain businesses with outlets located in both San Luis Obispo County, to the west of Shandon, and Fresno County, to the east of Shandon, were selected. The rationale for this approach is that if a business is located in one or both of the counties, the owner or operator of that business may be willing to consider opening a branch in Shandon; these businesses already operate in the general area and may have a distribution route that includes trips on SR 41 or SR 46. At a minimum, the owner or operator would be expected to know of Shandon and be able to answer questions related to opening a branch in Shandon.

National chain businesses not located in San Luis Obispo County or Fresno County, but with stores in small communities, were also identified and contacted to gain a better idea of how chain businesses choose a community in which to open a new store location.

In addition to chains, independently-owned small businesses located in small communities were interviewed. Retail chains tend to require a larger population to support themselves, whereas there are many examples of independently-owned businesses that operate successfully with a smaller population base. Interviews were conducted to gain a sense of how independent businesses manage to be successful and why they chose to open in their current locations.

Laundromats and dry cleaners are most likely to be independently-owned businesses, and consequently tend not to have the structured location criteria of chain operations. Information about these types of uses is included in Chapter 5.

FINDINGS OF THE INTERVIEWS

General Observations

Of the types of businesses requested by residents in Shandon, grocery stores and pharmacies are most often part of chains. Video stores, barber shops, beauty salons, medical offices, health clinics, laundromats, and dry cleaners tend to be independently-owned and operated in places with small populations. Restaurants may operate as chains (or franchises) or they may be independently-owned and -operated. Chains tend to have set location criteria for new franchises and branches, while independent businesses do not.

Grocery Stores[5]

Most grocery stores are operated by chains and prefer new store locations in places with large populations. Smaller grocery store businesses, however, such as Sentry Markets, tend to be a part of a cooperative that includes many small grocery businesses. Independently-owned grocery stores that do not participate in cooperatives are less common and tend to cater to a higher-end market or to serve as specialty stores. Table 5 details the location criteria for grocery stores interviewed for this study.

The table shows that a minimum population of at least 6,000 people within a three-mile radius is needed to attract a small, independent grocery store that caters to an upscale population base. A population of 7,000 provides more assurance for a grocery store. Larger grocery store chains require a population of 15,000 or more to open a new store branch. Most often, a grocery store will also hope to be guaranteed status as the primary grocery store if opening a store at a minimum population size.

Larger, national grocery chains tend to prefer a larger store size (between 43,000 and 52,000 square feet) and smaller, cooperative participants or independently-owned grocery stores tend to be smaller (between 20,000 and 30,000 square feet). National grocery chains also tend to prefer to build and own their stores, whereas smaller, cooperative participants or independently-owned grocery stores tend to prefer to lease their store site.

The specific preferred location of buildings varies among grocery stores. At a minimum, most grocery stores select a store location that has easy access, is visible from the street, and has a high average daily traffic count. National grocery chains vary in their site preferences: some seek stand-

[5] This study does not distinguish between grocery stores and supermarkets. Grocery stores are typically smaller than supermarkets and offer a more limited array of foods and other products. Most of the chain operations identified and discussed in this chapter would generally be classified as supermarkets.

alone buildings, some prefer a shopping center, and some prefer locations within a "Main Street" environment. Grocery cooperative participants and independently-owned grocery stores tend to prefer a store location in a Main Street environment.

Table 5
Location Criteria for Grocery Stores

Name of Store	Category of Store	Minimum Population Size	Minimum Store Size	Preferred Location and Tenancy	Other Requirements
Express Albertson's	National chain	25,000	52,000 sq. ft.	▪ Main Street environment ▪ Build and own	▪ Average household income $45,000+
Whole Foods Markets	National chain	150,000 within 12-15-mile radius	50,000 sq. ft.	▪ Stand-alone with easy access to roadways ▪ Own	▪ 40 percent of residents with bachelor or graduate degrees ▪ 250 parking stalls
Save Mart Super-markets	National chain	15,000 within trade area (valley=3 miles, mtns=5 miles)	49,000 sq. ft.	▪ Corner location on well traveled road ▪ Build and own	▪ 200-300 parking stalls
Food 4 Less	National chain	30,000 within 4-mile radius	43,000 sq. ft.	▪ Shopping center ▪ Build and own	▪ 1,500-2,000 average daily traffic ▪ Average mid-lower household income ($37,582-$31,033)
United Grocers	Grocery cooperative	6,000 within 3-mile radius	20,000 sq. ft.	▪ Main Street environment	▪ n.d.*
Spencer's Markets	Independent	6,000-10,000 within 3-mile radius	27,500-30,000 sq. ft.	▪ Main Street environment ▪ Lease the bldg.	▪ Above average middle household income (at least $34,379-$48,725) ▪ Large number of residents aged 45+

*n.d.= information not disclosed by business interviewed.

Source: Personal communication with Mundie & Associates, August-September, 2005.

Community average income also acts as a location selection factor for some grocery stores. Grocery stores that carry more specialty or gourmet groceries, such as Whole Foods Market and Spencer's Markets, tend to prefer to be in a community with a high or middle average income. The current locations of Spencer's Markets are in communities with average income levels between $34,000 and $50,000 per year. Food 4 Less, in contrast, provides more affordable groceries and prefers store locations in communities with a middle-lower average income. The current locations of Food 4 Less stores in San Luis Obispo and Fresno Counties are in communities with average income levels in the mid $30,000 range. (For comparison, the average income in Shandon in 2000 was $33,250. This level may be expected to grow in the future, as new residents move into new market-priced housing.)

While all grocery stores interviewed prefer to have parking stalls available for their customers, Whole Foods Markets and Save Mart Supermarkets prefer to have designated parking stalls (200 to 300 stalls per location). These parking requirements translate into a minimum site size of two acres for Save Mart and a minimum of 3.6 acres for Whole Foods.[6]

Implications for Shandon: Shandon would need to grow to a population of at least 6,000 residents within a three-mile radius to support an independent grocery store. A building site would have to accommodate a building of at least 20,000 square feet plus required parking stalls (most businesses require at least one acre), preferably in a Main Street environment with a high traffic count.

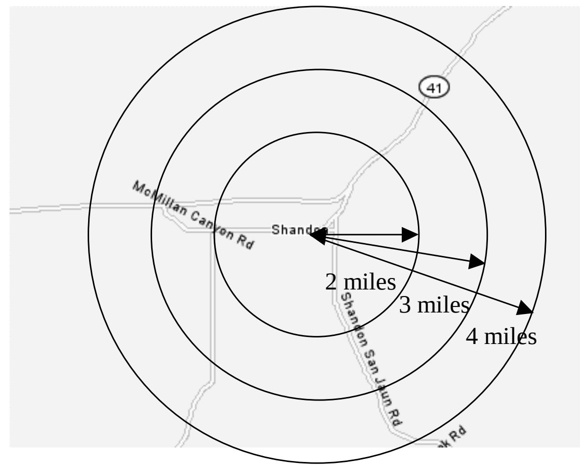

Figure 5
Area within 2, 3, and 4 Miles of Central Shandon

Source: Yahoo Inc. (map), 2005; Mundie & Associates.

Shandon's current median annual income fulfills the requirements for some independent grocery stores and Save Mart, but is below the requirement for specialty and more gourmet grocery stores.

Restaurants

Restaurant chains tend to be operated on a franchise basis; there are, however, smaller restaurant chains that are not franchised. Franchise restaurants, on the whole, require a relatively large population and high visibility from major arterial routes. Table 6 details the location criteria for restaurants interviewed for this study.

Restaurant chains vary in their location criteria for new branches. Larger, well-known national chains, such as Red Robin Restaurants and Applebees, tend to require a large population (80,000 to 100,000 people) within their target market area (a 40 mile radius for Applebees) to operate a restaurant. In addition, Red Robin Restaurants and Applebees tend to locate new restaurants close to highways, attracting many customers from the road as they drive by. These restaurants also tend to be bigger (6,000 square feet) than most other restaurant chains. They also require designated parking stalls: Applebees requires 90 parking stalls and Red Robin Restaurants requires 100 to 125 stalls.

6 The typical parking stall, including aisle space and driveway, requires about 350 square feet of land. The total site area needed for Save Mart, therefore, would be two to three acres, and the total site area for Whole Foods would be 2.7 to 3.6 acres (because the Whole Foods building is larger).

Table 6
Location Criteria for Restaurants

Name of Restaurant	Category of Store	Minimum Population Size	Minimum Store Size	Preferred Location and Tenancy
Subway	National chain	10,000 within 1.5 mile radius	1,100-1,500 sq. ft.	▪ Shopping center with major tenant anchor and high visibility ▪ Build and sublet to franchisee
Red Robin Restaurants	National chain	100,000 (no radius identified)	6,000 sq. ft.	▪ Close in proximity to regional mall and to major arterial route ▪ Build and own ▪ 100 to 125 parking stalls
Applebee's	National chain	80,000 within 40-mile radius	6,000 sq. ft.	▪ Shopping center that is close to major arterial route ▪ Build and own ▪ 90 parking stalls
Pizza Factory	National chain	Typical: 1,000 to 3,000*	200-1,500 sq. ft.	▪ Location and tenancy is at the discretion of the franchisee
Woodstock Pizza	Central California chain	40,000 within 3- to 4-mile radius	3,500 sq. ft.	▪ Own or lease ▪ Most branches in Main Street environment ▪ Prefer college-age communities ▪ Prefer 26+ parking spaces
Round Table Pizza	National chain	10,000 within 2-mile radius	3,000 sq. ft.	▪ Lease
Black Bear Diner	Western states chain	60,000 within 3-mile radius	3,500 sq. ft.	▪ Lease building and property ▪ High visibility (close to freeway)

* Two Pizza Factory Restaurants are located in Californian communities of approximately 550 (Friant) and 750 (Walnut Grove) residents.

Source: Personal communications with Mundie & Associates, August-September, 2005.

Other chains, such as Subway, Pizza Factory, Woodstock Pizza, and Round Table Pizza, tend to cater to a smaller population (750 to 40,000 people) and generate the majority of their business within the community. As a result, they tend to operate smaller restaurants: Subway has the smallest minimum restaurant size requirement of this group (1,100 square feet) and Woodstock Pizza has the largest requirement (3,500 square feet). These restaurants, however, do vary in their location preference: Woodstock Pizza prefers to be in a Main Street environment, while Subway prefers to be in a shopping center.

Unlike the other chain restaurants interviewed, Pizza Factory does not have population or store size requirements to open a new franchise. As a result, Pizza Factory has restaurant locations in communities with as few as 550 people (Friant, California).[7] Store sizes vary between 200 square feet and 1,500 square feet; the smaller restaurants tend to be take-away focused, while larger restaurants have service tables.

Most franchise companies have a set of financial and other requirements for prospective franchisees. These include a required investment to open the franchise, ongoing annual fees paid directly to the franchiser, and a minimum net worth. Other responsibilities include location selection and business operation. Table 7 summarizes restaurant franchise requirements.

Table 7
Restaurant Franchise Requirements

Restaurant	Required Investment	Ongoing Annual Costs	Net Worth
Subway	Fee[a]: $12,500 Other costs[b]: $79,300-$207,800	▪ 8% royalty ▪ 3.5% to advertising fund	Varies depending on location of franchise
Red Robin Restaurants	n.d.	n.d.	n.d.
Pizza Factory	Fee: $5,000-$20,000 Other costs: $34,200-$174,9000	▪ 5% royalty ▪ 2% advertising fund	$150,000
Round Table Pizza	Fee: $25,000 for large restaurant, $7,500 (for scaled-down restaurant) Other costs: varies depending on venue	▪ 4% royalty ▪ 4% advertising fund	$500,000
Black Bear Diner	Fee: $35,000 Other costs: $276,000-$587,200	▪ 4.5% royalty	n.d.

n.d.: not disclosed

a Fee = franchise fee: the amount of money required to buy a franchise.

b Other costs= other costs, in addition to the franchise fee, required to start a franchise such as equipment, improvements, and leasehold agreements.

Source: Personal communications with Mundie & Associates, August-September, 2005.

Of the franchise restaurant chains investigated, Pizza Factory is the least expensive franchise to start: its franchisees are required to pay a fee of $5,000 at a minimum plus seven percent per year of ongoing revenues. Subway is next, with a $12,500 franchise fee, and higher ongoing fees (11.5 percent). Round Table Pizza is the most expensive restaurant franchise to open: franchisees are required to pay a franchise fee of $25,000, or $7,500 for a small-scale restaurant, and ongoing fees equal to eight percent of operating revenues.

7 Pizza Factory states that opening a new franchise restaurant is at the discretion of the franchisee.

Some of the franchise chains identified in Table 7 require potential franchisees to have a certain net worth: Pizza Factory requires $150,000; Round Table Pizza requires $500,000; and Subway's requirement varies depending on where a franchise will be developed.

In contrast to restaurant chains, independently-owned restaurants tend not to have specific location criteria to open a new location. The story behind each independently-owned restaurant's business and the reasoning behind opening a restaurant is unique (see Chapter 4, p. 32).

Implications for Shandon: The population in Shandon is large enough to support a Pizza Factory franchise: Pizza Factory franchises operate in 19 communities in California with populations below 3,000. To open a franchise, Shandon needs a willing franchisee with sufficient initial and ongoing funds to start the business (at least $40,000 to start) and a site that will accommodate a building of 200 to 1,500 square feet. Subway and Round Table Pizza are the next most feasible franchises to be located in Shandon, but both require a population of 10,000 within a 1.5 to 2 mile radius to open a new franchise (see Figure 4, p. 11). Attracting a franchise of any of the other the chains interviewed for this study (Applebees, Woodstock Pizza, and Red Robin Restaurants) in Shandon is considered to be unlikely, since all require populations substantially larger than the estimates derived in Chapter 2.

Pharmacies

Most large-scale pharmacies are operated by chains; smaller pharmacies, however, tend to be a part of a cooperative that includes many pharmacy businesses, including independently-owned and -operated stores. Large-scale pharmacies tend to be more common in places with larger populations, while independently-owned pharmacies maintain flexibility in their size and population criteria. Table 8 summarizes the location criteria for pharmacies surveyed.

Table 8
Location Criteria for Pharmacies

Name of Pharmacy	Type of Pharmacy	Minimum Population Size	Minimum Store Size	Preferred Location and Tenancy
Walgreens	National chain	20,000	14,560 sq. ft.	▪ High traffic intersections ▪ Near a medical center ▪ 70+ parking stalls
RiteAid	National chain	10,000 within 2 mile radius (flexible)	17,272 sq. ft.	▪ High traffic intersections ▪ 86 parking stalls ▪ $45,000 average household income
Longs	National chain	n.d.*	5,000 sq. ft.	▪ Large urban area
United Pharmacy	Retail Cooperative	4,000	Varies	▪ Near or in conjunction with a medical center

* n.d. = information not disclosed by business interviewed.

Source: Personal communications with Mundie & Associates, August-September, 2005.

The table indicates that Walgreens prefers the largest population base of all pharmacies investigated (20,000 people). RiteAid, another national chain, seeks locations with at least 10,000 people within a two-mile radius, but states that this requirement is flexible. Independently-owned pharmacies, which are often supported by a cooperative, are able to open stores that cater to smaller populations and have a shorter operating day. For example, Mojave, California, a community of 4,000 people, has a part-time, independently-owned pharmacy that is sustained by the Air Force Base and a location on a roadway with high average daily traffic.[8] Regardless of their size, pharmacies tend to maintain flexible population size criteria for a new store.

The preferred size of a pharmacy varies between 5,000 and 17,000 square feet, and does not correspond to the type of pharmacy business. Longs, a national chain, operates several small pharmacies (5,000 square feet) in urban areas, but has larger stores in more suburban areas. Participants in United Pharmacy, a cooperative of pharmacy businesses, are not limited by a store size requirement.

Most pharmacies, regardless of size or type, prefer to locate new branches in conjunction with a medical center. Large-scale pharmacies tend to prefer high-traffic intersections and sites with at least 70 parking stalls, requiring a little over one-half acre dedicated to parking. Most pharmacy businesses do not include average household income as a criterion, but RiteAid prefers to be located in a population with an average household income of $45,000.

Implications for Shandon: To attract a pharmacy, Shandon would need a medical center (which would be a clinic or medical offices), and a building site (specific size is flexible). A chain such as RiteAid may be willing to consider locating in Shandon if the population approaches or exceeds 10,000 people.

Other Types of Outlets

Other types of outlets requested in at least one of the Shandon community surveys include a video store, a barber shop or beauty salon, a medical office or a health clinic, a laundromat, and a dry cleaner.

Other Types of Chain Businesses

Although chain businesses rarely operate the types of outlets discussed in this section, a few chains were interviewed to obtain information of their location criteria. Table 9 identifies location criteria for one beauty chain and two video store chains.

Supercuts, a chain beauty salon, opens new branches in areas with relatively large populations (40,000 people). In addition, Supercuts prefers to have nonmetered parking spaces for customers and prefers to lease space.

Video store chains, such as Blockbuster and Hollywood Video, prefer a population size of at least 11,500 people within a three-mile radius and a store size of at least 2,800 square feet. Blockbuster

8 The population of the army base is not included in, and therefore is in addition to, the 4,000 residents of the community.

has no preference between a Main Street site and a shopping center; Hollywood Video prefers to be located in a shopping center or on an individual pad.

Table 9
Location Criteria for Other Types of Outlets

Name of Store	Type of Store	Minimum Population Size	Minimum Store Size	Preferred Location and Tenancy
SuperCuts	National barber chain	40,000	n.d.*	▪ No location preference ▪ Prefer to lease ▪ Nonmetered parking spaces
Hollywood Video	National video rental chain	11,500 within 3-mile radius	4,000 sq. ft.	▪ Metropolitan areas ▪ End of shopping center or individual pad
Blockbuster Video	National video rental chain	5,000 households (12,500 residents with an average household size of 2.5; 18,500 residents with Shandon's average of 3.6)	2,800 sq. ft.	▪ Lease ▪ No preference between Main Street environment and shopping center

* n.d. = information not disclosed by business interviewed.

Source: Personal Communication with Mundie & Associates, September, 2005.

Supercuts and Blockbuster offer franchising opportunities. Table 10 details their franchise requirements.

Table 10
Other Outlet Franchise Requirements

Outlet Type	Required Investment	Ongoing Annual Costs	Net Worth
SuperCuts	Fee[a]: $22,500 Other costs[b]: $106,860 to $169,080	n.d.[c]	$300,000
Blockbuster	Fee: $6,500 to $16,500 Other costs: $250,000 to $750,000	Two-tiered system (percent depends on where franchisee builds store)	$400,000

[a] Fee = franchise fee: the amount of money required to buy a franchise.

[b] Other costs = other costs, in addition to the franchise fee, required to start a franchise such as equipment, improvements, and leasehold agreements.

[c] n.d.= information not disclosed by business interviewed.

Source: Personal Communication with Mundie & Associates, September, 2005.

Supercuts' initial franchise fee is $22,500 and other initial costs could total up to $175,000. Blockbuster requires an initial franchise fee between $6,500 and $16,500 plus other costs that could total between $250,000 and $750,000. In addition, Blockbuster requires franchisees to contribute to ongoing costs within their two-tiered system: the percent of revenue contributed depends on the location of the store. Blockbuster also expects franchisees to choose the location of their stores. Supercuts requires potential franchisees to have $300,000 net worth and Blockbuster requires a net worth of $400,000.

Other Types of Outlets With No Fixed Location Criteria

The location criteria for other outlet types requested in at least one of the Shandon community surveys, such as a medical office or a health clinic, a laundromat, and a dry cleaner, are harder to investigate. These types of outlets tend to be independent businesses, and location decisions are therefore made by each entrepreneur based on his or her priorities.

OUTLETS IN SMALL COMMUNITIES

The investigation of commercial chains, cooperative, and independently-owned goods and service providers reveals that most businesses prefer to locate new branches in communities of at least 10,000 people. Research demonstrates, however, that many communities with fewer than 10,000 have several commercial goods and services outlets. In order to determine how these types of businesses survive in small communities, an investigation of other small communities was undertaken, as described in Chapter 4.

CHAPTER 4
LESSONS FROM OTHER COMMUNITIES

UNDERSTANDING SHANDON: A LOOK AT SIMILAR COMMUNITIES

While Shandon is unique, there are many cities in California that are similar in size, character, and distance from a larger urban area. An investigation of businesses in communities that share characteristics with Shandon, but have slightly larger populations, was undertaken to provide clues as to how big Shandon must be to attract desired types of businesses.

THE COMPARISON COMMUNITIES

Shandon's most prominent characteristics include its:

- **Population** of about 1000 people.
- **Location** approximately 20 miles from the closest population center (Paso Robles).
- **Character** as a rural community along a state highway.
- **Median household income** of $33,250 per year.

These characteristics provided a basis for the selection of comparison communities. Cities with populations between 1,000 and 15,000 were selected to reflect possible ranges of growth in Shandon. It is assumed that while Shandon could grow significantly in the near future, it is unlikely to grow to more than 15,000 residents within the frame of a new plan.

Communities in Sutter, Colusa, Glenn, Tehama, Butte, Yolo, San Joaquin, Stanislaus, Merced, Madera, San Benito, Kings, Tulare, Kern, Trinity, Siskiyou, Yuba, Lake, and Contra Costa were included in this part of the study.[9] In addition to being located in one of these counties, communities had to:

- be located in areas that were neither along the coast nor in the mountains (or foothills).
- have populations between 1,000 and 15,000.
- be located on or near a state route, between 5 and 40 miles from a population center.
- have median household incomes similar to Shandon's.
- have no military base, university, prison, or other "major draw."

All together, 27 communities were selected for this part of the investigation. Table 11 details the 27 comparison communities in terms of their locations, populations, and income information.

[9] Four comparison communities in San Luis Obispo County were also included in this portion of the study, whether or not they net other selection criteria.

Table 11
Selected Comparison Communities

Community	County	General Location	Popu-lation	Median Income
Small Communities in San Luis Obispo County				
Santa Margarita[a]	San Luis Obispo	10 m. N of San Luis Obispo, SR 58	1,300	n.a.
San Miguel[a]	San Luis Obispo	7 m. N of Paso Robles, US 101	1,427	$33,264
Lake Nacimiento[a]	San Luis Obispo	15 m. NW of Paso Robles, near US 101	2,176	$54,958
Templeton[a]	San Luis Obispo	6 m. S of Paso Robles, US 101	4,687	$53,438
California Communities with 1,000 to 5,000 People				
Poplar-Cotton Cntr	Tulare	20 m. S of Visalia, SR 190	1,488	$24,519
Woodville	Tulare	30 m. S of Visalia, near SR 190	1,638	$25,474
Le Grand	Merced	10 m. SE Merced, near SR 140	1,731	$28,894
Biggs	Butte	20 m. N of Yuba City, near SR 99	1,788	$33,250
Esparto	Yolo	30 m. NW of Sacramento, SR 16	1,842	$41,389
Hamilton City	Glenn	5 m. W of Chico, SR 32	1,903	$33,169
Caruthers	Fresno	10 m. S of Fresno, near SR 41	2,057	$40,109
Riverdale	Fresno	20 m. S of Fresno, near SR 41	2,568	$29,886
Richgrove	Tulare	25 m. N of Bakersfield, near SRs 65, 155	2,728	$22,885
Terra Bella	Tulare	30 m. N of Bakersfield, near SR 65	3,519	$25,313
San Joaquin	Fresno	30 m. W of Fresno, near SRs 269, 145	3,301	$24,934
Dos Palos	Merced	45 m. NW of Fresno, SR 33	4,854	$29,147
California Communities with 5,000 to 10,000 People				
Gustine	Merced	30 m. S of Modesto, SRs 33, 140	5,311	$38,824
Firebaugh	Fresno	30 m. N of Fresno, SR 33	6,741	$31,533
Huron	Fresno	40 m. W of Visalia, SR 269	7,019	$24,609
Woodlake	Tulare	20 m. W of Visalia, SRs 245, 216	7,189	$23,653
Mendota	Fresno	30 m. W of Fresno, SRs 33, 180	8,739	$23,705
Taft	Kern	30 m. E of Bakersfield, SRs 119, 33	9,052	$33,861
Newman	Stanislaus	25 m. S of Modesto, SR 33	9,134	$39,460
California Communities with 10,000 to 15,000 People				
Magalia	Butte	20 m. SE of Chico, near SR 191	10,545	$32,337
Kerman	Fresno	15 m. W of Fresno, SRs 145, 180	11,455	$31,188
Shafter	Kern	15 m. NW of Bakersfield, SR 43	14,113	$21,515
Arvin	Kern	10 m. S of Bakersfield, SR 223	14,996	$23,674

n.a.: not available.

[a] Discussed at the Shandon Advisory Committee meeting of July 6, 2005.

Source: U.S. Census, 2000 (population and median income data); Mundie & Associates, August, 2005 (location).

FINDINGS OF THE INVESTIGATION

Small Communities in San Luis Obispo County

The presentation to the Shandon Advisory Committee on July 6 included information about four communities in San Luis Obispo County. These communities – Santa Margarita, San Miguel, Lake Nacimiento, and Templeton – were selected for comparison because they are relatively small and are located at a distance from larger existing population centers. Two of the communities – San Miguel and Lake Nacimiento – have visitor attractions: the former has the Mission San Miguel Archangel and the Rios-Caledonia Adobe, and the latter is a summer resort situated on a lake. Templeton has a hospital and a community medical center that provide an anchor for a significant medical practice.

Santa Margarita

Santa Margarita, like Shandon, is an unincorporated community. Its population in 2000 was estimated at 1,300 residents. The community is located along, but is not visible from, US 101 (it is about 1.5 miles east of the highway, along SR 58). Santa Margarita is about 10 miles north of San Luis Obispo and about 20 miles south of Paso Robles.

Consumer-oriented businesses in Santa Margarita include small market, a coffee shop, a real estate office, several auto- and truck-related businesses (but not a gas station), an apparel store, an antique store, a taxi company, and a lumberyard.

San Miguel

San Miguel, a community of 1,427 residents in 2000, is located about seven miles north of Paso Robles and is visible from US 101. As noted above, San Miguel is home to the Mission San Miguel Archangel and the Rios-Caledonia Adobe, two historic buildings that may attract visitors to the community. (The mission has been closed since late December, 2003, however, when it was damaged by the San Simeon earthquake.)

Consumer-oriented businesses in San Miguel include a small market, a small restaurant, a gas station, and a motel. There is also a medical office, several office-based service businesses, and several wine-related operations (but only one tasting room).

San Miguel has attracted substantial residential development since 2000. Residents of this new development will increase market support for local businesses, and may attract new businesses to the community.

Lake Nacimiento

The community at Lake Nacimiento encompasses two distinct clusters of development: Heritage Ranch, which is located about 15 miles northwest of Paso Robles, and Oak Shores, which is about 10 miles further, on the north side of the lake. Both were established as resort (lake-oriented), second home communities. Now there are many full time residents: in 2000, the U.S. Census counted the population at 2,176.

Notwithstanding this population, the area has few retail outlets. Each community has a small convenience market, and very small commercial center is under construction on Lake Nacimiento Drive, near Heritage Ranch.

Templeton

Templeton, the largest of the small San Luis Obispo communities included in this study, is located along (east of) US 101 about six miles south of Paso Robles and about 23 miles north of San Luis Obispo. Unlike Santa Margarita, Templeton is visible from the freeway. In 2000, Templeton had nearly 4,700 residents.

Consumer-oriented (non-medical) businesses in downtown Templeton include about a dozen restaurants, a gas station, about 50 offices, and a number of small specialty retail stores (e.g., florist, music, hardware, video, and sporting goods). Outside of downtown, consumer-oriented (non-medical) businesses include several financial services offices, five food stores (but no supermarkets), a liquor store, two motels, four beauty salons/barber shops, and a wine tasting room.

The hospital and community clinic provide a base for numerous medical offices and two pharmacies.

Summary

Of the small communities in San Luis Obispo County that are larger than Shandon, three support more retail and service businesses. None, however, has a full-service grocery store: residents of these communities are likely to do their major grocery shopping in Paso Robles, which has Albertson's, Food 4 Less, Ralphs, Vons, and a number of smaller stores. (The population of Paso Robles was estimated at nearly 28,000 at the beginning of 2005.)

The larger communities tend to have one or more restaurants: Santa Margarita has a coffee shop, San Miguel has a small restaurant, and Templeton has about a dozen food service establishments of various types (including several sit-down restaurants). San Miguel's freeway location, with visibility from US 101, and Templeton's medical cluster are likely to bolster support for these outlets.

Templeton is the only one of the four comparison communities to have a pharmacy (it has two). Support for these businesses is enhanced by the presence of the hospital, clinic, and numerous medical offices in the community.

Based on the characteristics of the four communities described here, it appears that Shandon would need a population of at least 4,000 residents (similar to Templeton) to attract and support a small but healthy array of retail and service outlets. Even at that size, however, the community is not likely to attract a standard supermarket. It would be misleading, however, to expect a population of 4,000 to support the same array of businesses that is found in Templeton, because the medical activity there enhances the market for retail stores and services.

California Communities With 1,000 to 5,000 People

Array of Businesses

Nine communities in this size category were investigated to identify the types and numbers of retail stores and services offered. Most communities with a population of 1,700 to 5,000 have at least two grocery stores, three restaurants, several retail stores, a medical office or health clinic, at least one beauty salon, and a bank. With the exception of gas station chains, associated small mini marts, and the restaurant chain Pizza Factory, these outlets are all independent: retail chains do not exist in comparison cities in this size category. Table 12 details the number of goods and services in comparison cities with a population between 1,000 and 5,000.

Table 12
Number of Goods and Services Outlets in Communities of 1,000 to 5,000 Residents*

Name of City	Population	Grocery Stores/ Markets	Restaurants	Retail Stores	Gas Stations	Medical Offices	Pharmacies	Beauty Salon/ Barbers
Le Grand	1,731	3	2	4	0	1	0	0
Biggs	1,788	2	2	3	0	0	0	1
Esparto	1,842	3	3	4	0	4	0	2
Hamilton City	1,903	3	3	2	2	1	0	0
Caruthers	2,057	4	6	6	1	4	1	3
Richgrove	2,728	2	0	0	0	0	0	1
Terra Bella	3,519	7	3	2	0	0	0	1
San Joaquin	3,623	3	4	5	0	1	1	3
Dos Palos	4,854	2	5	8	0	5	1	4

* The following communities had no businesses listed: Poplar-Cotton Center (pop. 1,488); Woodville (pop. 1,638); and Riverdale (pop. 2,568).

Source: Switchboard.com, September, 2005; Mundie & Associates.

Places with populations of 1,000 to 1,700 tend to resemble Shandon's small retail and commercial base. Three of the communities surveyed – Poplar-Cotton Center (pop. 1,488), Woodville (pop. 1,638), and Riverdale (pop. 2,568) – located adjacent to another small community – do not have any consumer-oriented businesses.

Communities with populations between about 1,700 and 3,000 tend to have a limited number of grocery stores, restaurants, retail stores, and other goods and services. All of the communities with populations in this range support at least two grocery stores or markets. With the exception of Richgrove, all of these communities also support at least two restaurants and two retail stores. Most of the communities also have at least one medical office and one barber shop or beauty salon. Having a medical office, however, does not guarantee a pharmacy: only one community with a medical office also has a pharmacy. Only two of the communities – Hamilton City and Caruthers – support gas stations. In contrast to the location of other communities surveyed, they are located on or near state highways and within 10 miles of an urban center.

Where populations exceed 3,000, communities tend to have a larger number and wider variety of restaurant and grocery stores. They may also have a few additional retail stores that provide more specialized goods and services, such as antique or second-hand stores, gift stores, florists, and variety stores. San Joaquin (pop. 3,623), for example, has three gift and clothing stores and two department or discount stores; in comparison, Biggs (pop. 1,788) has one hobby shop and two auto supply and service businesses.

Additionally, there are patterns in the types of goods and services that span the entire size category. Restaurants in communities of this size category tend to consist of delis, diners, and Mexican restaurants. If medical facilities are present in the community, they include at least a general health center. If more than one medical office exists, both offices tend to include more specialized medical care, such as a dentist. Beauty salons/barber shops are popular in most cities across the size group, sometimes outnumbering other business types. Additionally, two of the communities surveyed in this size category have an auto supply and service business.

Independent Businesses

Almost every grocery store in communities of this size category is independently-owned: the Circle K Corp store in San Joaquin (pop. 3,623) is the only chain store.

Restaurants also tend to be independently-owned: of the 27 identified, only four were chain or franchise operations. Table 13 provides the details of grocery stores and restaurants for communities with populations of 1,000 to 5,000.

Owners of selected restaurants and grocery stores in this size category were interviewed to gain a sense of their success and the story behind their business. All interviewees live in the community where their business is located, or know the community well. Most of the businesses were started to fill a niche in the town or, in the case of some restaurants, because the owners enjoy cooking. Subs to Go, in Esparto, was started by a resident for his two nieces.

The sources of customers varied among the businesses interviewed. Everyday goods and services, such as grocery stores, tend to be frequented by people who live and work in the community, whereas more specialized goods and services, such as the popular El Patio Mexican restaurant in Hamilton City, tend to draw from a larger geographic area. Most businesses reported that business is successful. If business is slow or difficult, interviewees attributed it to competition from similar businesses in town; most often a smaller convenience store has difficulty with business because there are several other grocery stores in the town. Successful businesses tended to be the only, or one of two, providers of a good or service.

Table 13
Grocery Stores/Markets and Restaurants in Communities of 1,000 to 5,000 Residents

Community	Grocery Stores		Restaurants	
Le Grand	Le Grand Market	Rancho Market	El Vecina	
	DNS Gas Mini Mart		Pizza Factory*	
Biggs	Biggs Market		Biggs Pheasant Club	
	Anderson's Farmer's Market Inc.		Amigos de Acapulco	
Esparto	Manas Ranch		Subs To Go	
	Chavela's Grab & Go		Rose's Island	
	Sangara Farms Shop		The Burger Barn	
Hamilton City	Hamilton Market		Casa Lupe Restaurant	Urrutia Bakers
	North State Market		El Patio Restaurant	
Caruthers	Fiesta Latina Market	Parlier Quick Stop	El Charro Mexican Food	Chow Time Pizza
	Mr. G's		Tacos y Mariscos	Danny's Donut House
	Caruthers Food and Liquors		TJ's Diner	Texaco-Subway Taco Bell*
Richgrove	Richgrove Food Center	Vincent B Zaninovich & Sons	(none)	
Terra Bella	C & F Markets	Lindo Michoacan No 2	Medina's Restaurant	
	AA Foods	Sierra Minit Mart	VJ's Restaurant	
	El Torito Market	Mid-Way Market	Julie's Restaurant	
	Terra Bella Handy Market			
San Joaquin	Food Land San Joaquin	Circle K Corp*	Omoni's Pizza	Ramirez Restaurant
	Los Amigos Family Food Center		Maria's Mexican Restaurant	
Dos Palos	Ojo De Aqua Produce		Don's Frosty	Eric's Pizza Factory*
	Hurtado's Market		Primo Take-N-Bake Pizza*	Palm Café
			Dos Palos Donuts	

Note: All stores are independently owned unless otherwise indicated.
* Indicates chain store.

Source: Switchboard.com, September, 2005; Mundie & Associates.

California Communities With 5,000 to 10,000 People

Array of Businesses

Seven communities in this size category were investigated. Most of these communities have several grocery stores or small convenience stores, several restaurants, a variety of retail stores, a variety of industrial businesses, a variety of medical offices, several different beauty salons and/or barber shops, a couple of gas stations, a hardware store, and a video store. Table 14 details the findings for comparison cities with populations between 5,000 and 10,000.

All communities investigated have at least three grocery stores. The average number of grocery stores – including large stores, Latin supermarkets, and mini marts – is about nine.

In general, the investigation demonstrates that as a community grows in population, it is likely to support a larger number and a greater variety of goods and services. There does not, however, seem to be a systematic difference between the number of businesses in a community with 5,000 people and the number in a community with 10,000 people. Gustine (pop. 5,311) supports six grocery stores and markets, while Taft (pop. 9,052) has only three grocery stores and markets. Similarly, there are six beauty salons and barber shops in Firebaugh (pop. 6,741), and there is only one in Newman (pop. 9,134).

Table 14
Number of Goods and Services Outlets in Communities of 5,000 to 10,000 Residents

Name of City	Population	Grocery Stores/ Markets	Rest- aurants	Retail Stores	Gas Stations	Medical Offices	Phar- macies	Beauty Salon/ Barbers
Gustine	5,311	6	10	7	2	3	0	5
Firebaugh	6,741	11	8	8	2	6	1	6
Huron	7,016	10	11	9	0	3	0	4
Woodlake	7,189	7	11	7	4	4	2	2
Mendota	8,739	12	13	8	2	3	0	5
Taft	9,052	3	9	5	0	3	2	4
Newman	9,134	12	13	21	1	9	1	8

Source: Switchboard.com, September, 2005; Mundie & Associates.

Similarly, there is not a direct correlation between the number of restaurants and a community's population. Restaurants in this size category vary more in type than in the smaller population group: they include cafes, donut shops, pizza parlors, family restaurants, ethnic (including Chinese) restaurants, bakeries, ice cream stores, gourmet restaurants, and lounges.

Retail stores in this population class include an additional number of providers and a larger variety of services than are found in the communities with smaller populations: they include hardware stores, liquor stores, jewelry stores, and several different clothing stores. Many of the cities in this population group tend to have a bank, and Newman, the largest in the group, has a theater and a fitness center. There are also a larger variety of medical offices in this group, including physical therapists, optometrists, and chiropractors. Additionally, almost half of the cities surveyed in this group have auto supply and service businesses.

Independent Businesses

Most grocery stores and restaurants in communities in this size class are independent. Table 15 presents the details of grocery stores and restaurants for communities with populations of 5,000 to 10,000.

The table shows that three of these communities have chain-operated convenience stores. Five of the seven communities have at least one restaurant chain (Burger King, Pizza Factory, Frosty Freeze, and Dari-Delite). The only other chain retail businesses are the RiteAid pharmacy in Taft; a Chevron gas station in Gustine; and Curves, a women's fitness center, in Newman.

Table 15
Grocery Stores/Markets and Restaurants in Communities of 5,000 to 10,000 Residents

Community	Grocery Stores		Restaurants	
Gustine	Village Market	Quick and Easy	The Bread Rack	Good Times Restaurant
	Diamond Food Center	Cal Fruit & Nuts	Pizza Factory*	Ninos Pizza
	Borrelli's Grocery		Rosemary's Café	Mariscos Sinaloa Nuevo
	Richard's Market Gas & Liquors		Chilito's Deli	Gustine Club
			Krazy Gal's Cafe	La Mexicana
Firebaugh	Sonora Mini Mart	Latino Market	West Café	Firebaugh Restaurant
	S & M Mini Mart	Fiesta Latino Market	Giant Burger	Sugar N' Spice Donuts
	Shogey's Market Inc.	Amigos Market	Pizza Factory*	Jack's Prime Time
	Firebaugh Super Market	Westside Produce	Arambula's Taqueria	
	French Bakery Legarde	Dino Health Store	Leku-Ona Basque Rest. & Lounge	
	Reno's Mega Mart			
Huron	Huron General Store	La Calif Market	El Manantial Bakery	Corona's Bar
	Texaco Shell Star Mart Eleven*	Oxxo Market	Yolis Kitchen	La Perla Restaurant
	G & G Market	Lassen Market	Rancho Inn	Mexico Café
	Parkside Store	Los Amigos Market	Huron Family Food	Romaldo's Bar
	Brother's Market	Amigo Market	China Restaurant	Mona's One
			Michoacan Family Restaurant	
Woodlake	General Food Stores	A & H Market	Woodlake Drive Inn	Progresso No 5
	My Probeedor	Kwik Serve	La Popular Mart & Deli	Panaderia La Estrella
	Lara's Market	Tono's Market	Dora's Restaurant	Loading Chute
	Nickel's Payless Food Store Grocery		Todd's Pizza Factory*	Taqueria Super Taco
			Country Chicken	PR's Donuts
			Panaderia Y Productor De Apatzingan	
Mendota	Mendota Food Center	M & M Grocery	Pizza Factory*	Primo's Taqueria
	El Principe Mini Mart	La Fiesta Meat Market	Burger King*	La India Maria Pananderia
	Circle 7	Fastrip*	Piccadilly Pizza and Sub	Los Amadores
	Star Super Market	El Charro Food Market	Lucky Restaurant	Ceci's Restaurant
	Nayarit Grocery	Sonora Mini Mart	Yin's Chinese Kitchen	Gloria Mexican Restaurant
	Westside Groceries		Mendota Donuts	Cielito Lindo Restaurant
	El Centro Americano Mini Market		Mendota Roundup Rest.	
Taft	Save A Lot (2 stores)		Java Jazz Espresso Bar	Donahoo's Golden Chicken
	7 Eleven Inc*		Maria's Restaurant	Dari-Delite
			Original Hacienda Grill	Dee's
			Frosty Freeze*	The Frozen Mug
			Sherlyn's Fine Delectables	
Newman	Save Food Supermarket	Newman Mini Mart	St George Caribbean Cuisine	Las Flores Mexican Rest.
	Diamond Food Center	Newman Food Store	Perry's Casa De Pizza	Taqueria El Mexicano
	Carniceria DOS Aguas	Delta Spiceworks Inc	Taqueria Carolina 3	Yuphaa's Thai Cuisine
	Carniceria La Azteca	Sorrenti Family Farms	The Tank Bar and Grill	Happy Garden Chinese Rest.
	Super Mercado Garcia	Ed's Country Mini Mart	California Club (bar)	Pizza Plus
	Mel's Liquor		El Campestre Dos Restaurant	The Grill
	The DiMare Company		Have Your Cake and Coffee Too	

Note: All stores are independently owned unless otherwise indicated.
* Indicates chain store.

Source: Switchboard.com, September, 2005; Mundie & Associates.

California Communities With 10,000 to 15,000 People

Array of Businesses

Four communities with populations between 10,000 and 15,000 were included in the investigation. As might be expected, most communities in this size class support an even larger number and variety of businesses than do the smaller communities: each community has at least one of the types of outlets requested by Shandon community members. Table 16 details the number of outlets in these comparison communities.

Table 16
Number of Goods and Services Outlets in Communities of 10,000 to 15,000 Residents

Name of City	Population	Grocery Stores/ Market	Rest-aurants	Retail Stores	Gas Stations	Medical Offices	Phar-macies	Beauty Salon/ Barbers
Magalia	10,545	4	9	6	1	4	1	8
Kerman	11,455	9	15	8	2	6	2	3
Shafter	14,113	10	17	26	1	3	1	10
Arvin	14,966	13	5	6	1	6	1	6

Source: Switchboard.com, September, 2005; Mundie & Associates.

In general, the difference in the number of types of outlets in a community with 10,000 people and a in a community with 15,000 people is small. The notable exception is that Shafter (pop. 14,113) has the large number of retail stores and beauty salons/barber shops. As populations near 15,000, the number of grocery stores/markets tends to level off. The number of restaurants in a community seems to increase as population increases (Arvin, with 14,966 residents, is an exception, having fewer restaurants than communities with 5,000 people). Magalia (pop. 10,545) has nine restaurants, while Shafter (pop. 14,113) has 18.

The number of retail stores varies in this size category and does not seem to relate directly to the number of people in a community. Both Magalia (pop. 10,545) and Arvin (pop. 14,966) have six retail stores, while Shafter (pop. 14,113) has 26. The number of gas stations seems to level off at one or two for communities in this size range. Each of the four communities investigated has at least three medical offices and one pharmacy. In addition, all four of the communities have at least three beauty salons/barber shops; on average, these communities have nearly seven beauty salons/barber shops.

Goods and services provided specifically in this size category include a greater variety of clothing retail stores, furniture stores, bicycle stores, and even more specialized medical offices, such as clinics for elderly people and maternity care units.

Independent Businesses

This size category attracts both chain stores and independent businesses; there are more chain businesses in this size group than in the smaller communities, but independents are still dominant. Table 17 provides information about grocery stores and restaurants for communities with populations of 10,000 to 15,000.

Table 17
Grocery Stores/Markets and Restaurants in Communities of 10,000 to 15,000 Residents

Community	Store		Restaurant	
Magalia	More or Less	Holiday Quality Foods	Happy Day	Chuck's Place
	Discount Market	Hills Country Store	Terry's Fine Dining	Dolly-O-Donuts & Gifts
			Red Lion Pizza	The Country French Café
			Lovin Oven Cafe	The Fairway Restaurant
			Old Magalia Inn	
Kerman	Kerman U Save Liquors	Kerman Food Market	Me N Ed's Pizzeria	Chubby's Diner
	Fastrip Food Stores*	Kerman U Save*	Las Delisias	Robertito's Taco Shop
	Handi Stop Liquor*	Ramirez's Market	Round Table Pizza*	Taco Bell*
	Express Food Mart*		La Ramada Restaurant	Kentucky Fried Chicken*
	Save Mart Supermarkets*		Sunshine Donuts	Hong Kong Chop-Suey*
	Valley Food Super Center*		Valley Food To Go	Mariscos El Conchal
			Kathy's	
			Los Compadres Kerman Bakery	
			La Rosa Tortilleria Y Rosticeria	
Shafter	Fiesta Latina 3	Basic Essentials	Sno-Fun	Jugos Y Malteadas
	Meyers Big Stop Inc	Fastrip Food Store*	El Taco Loco	El Barrilito
	La Canasta Market	Jaco	McDonalds*	Spencer's Restaurants
	Ninety-Seven Cent Mart		Village Grille	Burger Factory
	Sunshine Herbs & Vitamins		Willow Ranch Restaurant	BG's Five Star Pizza
	Manny's Discount Grocery Outlet		Foxy Lady	La Paloma Bakery
			Shafter Donuts	China Cuisine
			Graddy's Night Club	Brookside At the Depot
			Don Perico Mexican Rest.	Lupe's Bakery
Arvin	A & M Market	Alshaif's Market	Frosty King*	Delicia's Bakery
	Arvin Market	Venus Market	Canton Café	McDonalds*
	7-Eleven Food Stores	Fastrip Foodstore*	Burger King*	
	J & M Market	Nutritional Products		
	Haven Market			

Note: All stores are independently owned unless otherwise indicated.
* Indicates chain store.

Source: Switchboard.com, September, 2005; Mundie & Associates.

There are several different grocery store chains in this size category, ranging from larger grocery stores (Save Mart Supermarkets) to smaller convenience stores (Fastrip). Kerman (pop. 11,455) has more chain grocery stores (six) than independents (two).

There is a wider variety of restaurant chain businesses in this size category. Restaurant chain businesses include Taco Bell, Round Table Pizza, Kentucky Fried Chicken, and McDonalds. Arvin (pop. 14,966) has more chain restaurant businesses than independents.

As with the previous size category, chain stores are mostly limited to restaurants, pharmacies, gas stations, and grocery stores. RiteAid pharmacy, which also appears in smaller communities, has a branch in Kerman (pop. 11,455). There are a few national bank branches in this size category, such as Bank of America in Shafter, that are not present in the previous size category.

Other retail stores, video stores, and laundromats/dry cleaners are generally independent.

Clearly, communities in this size group are able to attract multiple outlets of most store types.

IMPLICATIONS FOR SHANDON

The investigation of comparison cities clearly indicates that larger communities are able to attract a greater variety of stores and services than smaller communities. This finding is not surprising.

Communities in all three size classes studied for this report find that most of their consumer-oriented stores and businesses are independently-owned and -operated. A few chain stores are willing to open outlets or franchises in locations of this size, but the preponderance of economic activity results from the entrepreneurial activity of local residents.

CHAPTER 5
POTENTIAL TO INCREASE MARKET SUPPORT BY ATTRACTING VISITORS

BACKGROUND: WHY THINK ABOUT TOURISM?

Support for new retail and service businesses in Shandon will come primarily from residents of the community. Therefore, this report focuses on the threshold size of the resident population to attract the types of businesses that residents seek.

Additional support may come from visitors to the community. Shandon is located on SR 41 and near, but not on, SR 46 (see Figure 1, p. 7). SR 41 connects US 101 at Atascadero, about 30 miles west of Shandon, to Interstate 5, in Kings County, about 35 miles east of Shandon and about 2 miles west of Kettleman City. SR 46 connects US 101 at Paso Robles to I-5 in Kern County, about 45 miles east of Shandon. SR 46 is the more heavily-traveled route, carrying trucks and visitors between the Central Valley and the coast.

The value of pass-by traffic to retail businesses in Shandon is known anecdotally to the community: when the SR 46 bypass was completed, removing through traffic from the heart of the community, most of the businesses existing at that time were forced to close.

In other areas of California – notably the gold country, the Napa Valley, and many coastal communities – visitors support some types of retail stores and restaurants that significantly supplements support from local residents.

For these reasons, Mundie & Associates completed a brief investigation of Shandon residents' interest in attracting additional visitors to the community and the possibility of attracting a visitor-oriented destination development project.

RESIDENTS' INTEREST IN TOURISM

At the Shandon Advisory Committee meeting of July 6, 2005, attendees were asked (in a questionnaire) whether tourism would contribute positively to Shandon and, if so, what features of the Shandon area might attract tourists for overnight stays.

Twelve people responded to this set of questions: seven thought that increased tourism would be a good thing for Shandon, and five thought it would not. Some of those who did not were emphatic in their opposition to attracting visitors to the community.

Table 18 presents the list of features that respondents thought might attract tourists to the Shandon area. Wine tasting, a dude ranch or ranch retreat, the park and swimming pool, and a bed and breakfast were the most frequently suggested attractions.

Table 18
Suggested Tourist Attractions for Shandon

Tourist Attraction	Number of Responses
Wine tasting/winery	7
Dude ranch/ranch retreats	5
Park and swimming pool	3
Bed and Breakfast	3
Horseback riding	2
Ecological treasures/scenery	2
Hunting	2
Chapel Hill Mozart Festival	2
Amphitheater/concerts	2
San Andreas Fault	1
Wildflowers	1
Bicycles	1
Hotel	1
Local History	1
Motocross	1
Salt flats	1

Source: Shandon Advisory Committee Meeting, July 6, 2005.

To be of benefit to Shandon's goals for commercial development, a tourist destination must attract visitors who will spend money in the community; further, they must spend not only at the destination (if it has commercial facilities) but also at other local businesses. Thus, for example, wineries and other recreational opportunities might support local businesses such as eating and drinking places and convenience stores. A dude ranch or ranch retreat might support some businesses in the community, depending on whether the ranch has any commercial facilities for its guests *and* whether Shandon has a sufficient number of businesses of interest, arranged in an attractive manner, to draw those guests into the commercial area.

OPPORTUNITIES FOR VISITOR DESTINATIONS

Based on a limited series of interviews and literature search, it appears that the keys to development of successful destination resorts are the demand for a visitor-based facility and the economics of providing such a facility.

Demand for a Visitor-based Facility

To be successful, a tourist destination must (1) have an attraction that draws people to the area (or encourages them to stop en route between other points), and (2) be supported by a sufficient population, with (3) sufficient discretionary spending capacity within the attraction's market area.

Potential Attractions

People who attended the Advisory Committee meeting in July and responded to questions about visitor destinations identified many of the attractions that are of interest in the Shandon area. Of those, however, only a few are so unusual that they would reliably draw nonresidents to visit Shandon.

- In particular, **wine tasting** – although not available now – has been shown to attract people to an area when there is a critical mass of tasting opportunities to make the trip worthwhile. A wine tasting room is currently planned for the proposed Arciero Winery on SR 46. If the owner could be induced to locate the wine tasting facility on Centre Street, in the "Main Street" area of Shandon, it might serve as an attraction to tourists traveling between the Central Valley and the coast. If additional local wineries could be convinced to locate tasting rooms there as well, in a "wine cluster," the attraction may be strengthened.
- A particular visitor accommodation, such as a **dude ranch**, **ranch retreat**, or even a special **bed & breakfast** facility – could also attract tourists.

  A B&B would have the greatest likelihood of success if either it is marketed as a retreat with special amenities (e.g., spa, gourmet dining, or special interest activities), or Shandon develops complementary attractions (such as a Main Street shopping area) to induce visitors to spend more time in the area.

  Challenges for the establishment of a dude ranch or ranch retreat revolve around the likelihood that ranch guests would patronize offsite retail stores and restaurants (i.e., in Shandon). These types of establishments typically provide all meals to their guests, and are likely to have gift stores and sundries as well. The retail offerings in Shandon would have to be highly attractive to induce spending by guests of such a facility.

  Golf course-based communities have become increasingly attractive as visitor destinations, and could be a possibility for Shandon depending on market support (the recently-developed Hunter Ranch, located off SR 46 between Shandon and Paso Robles, could be a competitive destination, but has no overnight accommodations). One popular format that has been used in destination resort development is a golf course with a lodge, second homes, and (in some cases) retirement homes. In this format, the golf course is the attraction for visitors; the second-home owners (and users, if there is a rental program) and permanent residents (including retirees) provide some market support for local offsite businesses. The community of Sisters, OR, for example, has a population of about 1,400, but, with the help of several golf course-based second home communities in the surrounding area, supports a supermarket, two smaller food stores, and a downtown business district that occupies approximately six city blocks. Support for these businesses is seasonal, however: when golf is unavailable, many of the stores either close or reduce their operating hours.

  One advantage of a golf course and related community is that it occupies a substantial amount of land (typically, the course alone requires about 150 acres) and – if successful – attracts a substantial number of visitors to the area in which it is located. These visitors become familiar with the course location as a destination, and are more likely to revisit it over time, even on non-golf days, if there are other attractions. At the same time, as the course and community become more developed, they may capture higher proportions of visitor spending onsite, leaving less for the surrounding community.

- The **Mozart Festival** at Chapel Hill could be an attraction for some visitors. At present (that is, in 2005), the festival plays only one night at the Chapel Hill location. Additional nights during a concentrated time frame could increase the potential for the festival to draw overnight visitors to the area if suitable accommodations were available.

Possible Strategies for a Visitor Destination

While none of the types of visitor destinations mentioned above exists (or is proposed) in Shandon today, all of them are reasonable candidates for serious consideration in the area: all could attract people with discretionary spending potential who would be inclined to linger, shop, and dine in Shandon. Each of them would require a different type of effort by the public and private sectors.

- A **wine cluster** could, as suggested above, take the form of a collective tasting room, where wines from multiple San Luis Obispo County vintners could be sampled. In downtown Napa, Goosecross winery sponsors such a facility, with the participation of five other smaller, out-of-the-way vineyards. A tasting costs $5 for five wines, and the facility successfully attracts visitors who may not have the time or discretionary income to visit a series of locations, some of which do not have tasting rooms. To be most beneficial to the community in terms of attracting support for external retail stores and restaurants, such a facility should be located on Centre Street or near other (future) retail outlets; to be most attractive to visitors, it should have a picturesque presence. Complementary outlets, including a restaurant/café and/or sundries store, should be located adjacent to or within sight of the tasting room.
- **Ranch stays or farm (vineyard) stays** could be available if the existing ranches and farms in the area have buildings that could be converted to visitor accommodations and a food preparation and service area that could be used for dining. Many guest ranches erect a series of cabins to accommodate visitors. Amenities and activities vary among properties, but most ranches provide a variety of both. Amenities may include, for example, gourmet food, fireplaces, Jacuzzis, hot tubs, swimming pools, televisions, and game rooms; activities may include horseback riding, hiking, organized games (such as softball), fly fishing lessons, wildlife viewing trips, cookouts/barbecues, live bands, western dances (with dance lessons), seasonal rodeos, and the occasional cowboy poet. These amenities and activities programs require substantial planning and investment, but it may be possible to phase them in over time.

  Guest ranch operations tend to be most successful if they are clustered; that is, if there are several such facilities located near each other. This arrangement helps to establish the area as a destination in the minds of prospective visitors. At the same time, it allows the various facilities to share infrastructure (veterinary and blacksmith services, instructional or entertainment personnel, etc.). If this type of development is pursued in the Shandon area, it may be advantageous to seek expedited approval processing from the County and marketing assistance from the County Chamber of Commerce.
- A **golf course-based resort** could be phased in over time, beginning with the golf course and possibly a restaurant and pro shop, and gradually adding amenities such as overnight accommodations, second homes, and/or retirement homes. This process has been used in many locations, with development of the next phase proceeding only when the previous phase has achieved operating stability.

Market Area with Sufficient Population

The market area within which the "sufficient population" must be located depends on a number of factors, but one critical factor is the accessibility of the destination; that is, its location relative to transportation facilities. Another critical factor is the nature of the attraction; for example, whether it provides a convenient getaway spot, unique or unusual recreational experience, a specific cultural experience, or some other reason to visit this place in particular. A third is whether similar attractions exist, and compete, within the same market area.

- **Accessibility.** Shandon is located on (or near) two well-traveled state highways: SR 46 carries an average about 13,000 vehicles per day throughout the year in the vicinity of Shandon, with about 17,000 vehicles per day in the peak month, and SR 41 carries an average of about 800 vehicles per day throughout the year and about 1,000 per day in the peak month. The proportion of these vehicles that are passenger cars (as opposed to trucks) is not known, however.

  Notwithstanding its accessibility by land, Shandon is not close to an airport with regular commercial air service. Therefore, its tourist market is likely to consist mainly of auto travelers, with the major proportion of those either residents of San Luis Obispo County or vacationers traveling between the Central Valley and coastal destinations.

- **Nature of the Attraction.** Shandon's advantages, from the perspective of tourism, are its scenic location and the potential for development of visitor attractions that would offer an unusual experience. Those attractions would have to be created: although, as was pointed out in the questionnaire, the area offers a multitude of outdoor recreation experiences, none of them is unique to the area. At present, then, it is premature to attempt to assess whether visitors would come to Shandon.

- **Competitive Destinations.** Because there is no existing visitor attraction (or accommodation) in Shandon, it is also premature to assess whether there are competitive destinations. As noted above, a golf course would compete with – or, perhaps, complement – Hunter Ranch and other existing courses in Nipomo, Arroyo Grande, Avila Beach, San Luis Obispo, Atascadero, Los Osos, Morro Bay, and Paso Robles. A wine tasting cluster would compete with – or complement – existing tasting rooms throughout the county, including several on SR 46 between Shandon and Paso Robles.

Economics of Supply

The second key to a successful visitor destination facility is the ability to provide that facility at a cost that makes economic sense. Although there are many components of cost, the threshold requirement is low land cost. A resort developer interviewed for this study pursues projects primarily where he can obtain the project site at a distressed price. A *San Francisco Chronicle* article about Eugene Haber, the developer of Quail Lodge in Monterey County, notes that he obtained the site that later became the resort for $50,000 in the late 1950s. That price would translate to about $335,000, or less than $1,300 per acre, in today's dollars.

Beyond the cost of the land, the project must contain costs of development while providing the level of amenity that will attract its target market. One general rule for visitor accommodations is that revenues must average $1 per night for every $1,000 invested; thus, for example, a resort charging $300 per night *and achieving 100 percent occupancy* could invest no more than $300,000 per room including land, infrastructure, design, environmental clearance and approvals, construction, marketing, and all other upfront costs.[10]

OTHER CONSIDERATIONS

Establishing a tourist destination in Shandon would require a developer with a vision of what the destination could offer and how it could attract visitors to a heretofore unknown place.

The potential benefits to the community from a visitor destination – in terms of support for retail uses and restaurants – would depend critically on the location and characteristics of such a destination, as well as the opportunities for complementary development in Shandon. Opportunities for complementary development – that is, retail and restaurant uses that attract visitor attention - would probably require a supply of building space that is currently unavailable (small retailers, restaurants, and galleries are unlikely to be interested in constructing their own buildings) in an pedestrian-friendly arrangement that is attractive to visitors. To provide such an environment, in turn, would require careful planning, design guidelines for new development, and possibly some assistance from the public sector.

10 J. Richard McElyea and Gregory Cory, "Resort Investment and Development; An Overview of an Evolving Market," on the web at http://www.hotel-online.com/Trends/ERA/ERAResortInvestment.html.

CHAPTER 6
CONCLUSIONS AND ADDITIONAL OBSERVATIONS

FINDINGS OF THE MARKET INVESTIGATION

Threshold Size to Attract New Retail Development

The information presented in Chapters 3 and 4 indicates that Shandon would have to have a population of at least 6,000 residents to attract a supermarket. Even at that size, attraction of a supermarket may be difficult, given the existence of two smaller markets and the approval of a convenience store as part of the service station at the intersection of State Routes 41 and 46.

Based on the completed interviews and the evidence from comparison cities, it appears that a population between 10,000 and 15,000 would be more likely to attract a store of supermarket scale. Independent stores, which may participate in cooperative buying arrangements, are more likely to locate in communities with fewer than 10,000 residents.

Threshold population sizes for other types of uses vary, and depend critically on whether the outlet is part of a chain operation or is independently owned. Pharmacies appear to be the most difficult to attract, because they are typically located near medical offices. Locally-owned restaurants and service establishments are more likely to locate in smaller communities, if they can find appropriate space.

For communities with fewer than 15,000 residents and especially for communities with fewer than 10,000, the major source of new business development is local residents who perceive a need in the community or who have a particular interest. These residents open independent businesses without regard for the location criteria of more structured national chain organizations, and they appear to own and operate most of the businesses in small communities.

Potential/Opportunities for Visitor-based Development

Development that attracts visitors to Shandon could also help support a larger commercial base than could be supported by residents alone. The amount of support provided would depend on several factors, including length of stay, whether the visitors' (potential) purchases are captured within a destination or are encouraged to spill over into the community, and whether there are stores and restaurants in the community that are attractive to the visitor population.

Opportunities for Shandon to capture more visitation, and more visitor spending, could include the development of a wine tasting center in the community (on Centre Street); the development of one or more golf courses, possibly with residential development (second homes, retirement homes, visitor accommodations) as a second or subsequent phase; an increase in the number of nights for the Mozart Festival at the Chapel Hill location; and/or the development of facilities for, and promotion of, dude/guest ranch stays in the immediate vicinity.

ADDITIONAL OBSERVATIONS

Other Opportunities: Retirement Housing

Shandon is considered to be a coming location for new market-rate housing development in San Luis Obispo County, and this view of the community is in part responsible for the current planning effort.

Strategic planning for the types of housing to be built could enhance Shandon's ability to attract some new types of businesses and services. For example, retirement communities could introduce a population segment with not only relatively large amounts of disposable income, but also relatively high demand for medical services. Such demand could attract one or more part-time or full-time medical practitioners, and could thereby improve the community's likelihood of attracting a part-time or full-time pharmacy.

Beyond Population: Considerations in Attracting Businesses to Shandon

Achieving the threshold population size will not be sufficient to attract desired retailers and restaurants to Shandon, nor to assure that Shandon attracts the type of retail development it desires. A key additional factor is the availability of appropriate sites.

The definition of an "appropriate site" differs among uses. In most cases, the criteria for appropriateness include location and size. For smaller businesses, the availability of existing structures is also critical.

- **Location: Proximity to Other Businesses.** A critical requirement for most businesses is that they be located near other businesses. Stores and service outlets rely on pass-by traffic going to and from nearby establishments for a significant part of their business. They also find that clustering increases the convenience of shopping for their customers, who prefer to visit multiple stores, if possible, from a single parking space.

  The proposed commercial center on SR 41, just east of Eighth Street, could establish the premier business location in Shandon. Although most previous studies have considered either Centre Street, near the park and existing businesses, or SR 46 to be the most likely locations for new commercial development, the availability of store space on the approved site could prove to be an irresistible draw for new businesses considering locations in Shandon.

- **Location: Access and Visibility.** In addition to a location near other businesses, most establishments require good access and good visibility. In Shandon, sites on Centre Street (SR 41) would have good access for local residents, while their visibility would depend on how they are situated.

  For businesses that depend on some regional traffic for support, a location on the SR 46 bypass would be more advantageous than a location on Centre Street. As noted in Chapter 5, SR 46 carries much more traffic on the average day than SR 41, although it is not known how much of this traffic is passenger vehicles (as opposed to heavy trucks).

- **Size of the Site.** For businesses that require off-street parking (either because of their own corporate standards or because of the zoning code), minimum parcel size could be an issue in the Centre Street area of Shandon. For retail food and beverage stores, for example, the San Luis Obispo County zoning code requires one parking space per 200 square feet of store space plus one space per checkstand plus one space per 600 square feet of storage area. Assuming, for example, a store of 12,000 square feet with three checkstands and 1,000 square feet of the store storage space, the code would require 60 parking spaces. The typical parking space requires 350 square feet of land area for the space itself plus aisles and drive-ways; therefore, the parking area for a 12,000 square foot structure would occupy 21,000 square feet of land, or almost one-half acre. The total land requirement would be 33,000 square feet, or about three-quarters of an acre. There are few (if any) sites of this size along Centre Street. The discussion in Chapter 3 estimated that a Save Mart store would require a site of two to three acres, given that corporation's desire for 200 to 300 parking spaces.

Similarly, the zoning code requires that restaurants provide one parking space per 60 square feet of customer area plus another space per 360 square feet of customer area and one space per 100 square feet of kitchen area. So, if a restaurant encompassing 1,000 square feet of space had 120 square feet of kitchen area, it would require 19 parking spaces, which would in turn require about 6,650 square feet of land. In all, then, the 1,000-square-foot restaurant would require a site of approximately 7,650 square feet.

Given these types of land requirements, development on Centre Street could require some land assembly (that is, combining of existing parcels). Unless adjacent parcels are held in common ownership, the assembly of a large enough site for new retail development could present a challenge. Alternatively, zoning regulations could be adjusted to allow commercial uses within a certain distance of each other to share parking areas.

- **Availability of Infrastructure.** The lack of a sewer system in Shandon is an obstacle to some types of business development. Under existing conditions, new development – housing and business alike – must assess the feasibility of and install a septic tank before occupancy can occur. The amount and density of development is limited by the ability of the soils to accommodate new septic tanks with the capacities required for proposed development. Water-using businesses, such as restaurants and laundromats, are particularly handicapped by reliance on septic systems rather than sewers.

- **Availability of Existing Structures.** For most small or start-up businesses, constructing a new building is out of the question: the expense is simply too great, and the approval/permit process is too lengthy and difficult. These businesses rely on the availability of existing, vacant building space for their locations.

  At present, Shandon has little or no available space for new retail, restaurant, and service businesses. If the approved commercial center on SR 41 east of San Juan Creek is built without being fully pre-leased, then some of the space in that center could become available for small-sized businesses whose owners would like to locate them in Shandon. An alternative is to allow home-based businesses for certain types of activities, or to allow the conversion of housing units near Centre Street to business use if residential use is discontinued in them.

- **Affordability of Space.** Unless businesses can find an existing structure in which to locate, new construction is required to provide a location. New construction, however, is typically more expensive than existing space. Construction lenders often require a builder to show some evidence of pre-leasing to tenants that have national credit ratings, which effectively means national chain stores. This requirement creates an obstacle for locally-owned, start-up businesses.

More About Location: Considerations of Urban Form

As noted above, locations on Centre Street are likely to be accessible to the residents of Shandon, while locations on SR 46 are likely to be more able to attract pass-by customers traveling between the Central Valley and the coast. The community's preferences for the physical character of development could also play a role in determining which of these two general locations is preferable.

- **"Main Street" Locations and Highway Locations.** Paradoxically, Centre Street is more conducive than SR 46 to the type of urban form that would attract visitors, because it could represent the small-town ambiance that offers a change from the communities where they live. On the other hand, Centre Street businesses would be more difficult for visitors to find, because pass-by traffic would have detour off the main route into the community. Signage (and possibly other kinds of promotions) would be needed to offset the lack of visibility from a major highway.

  SR 46, in contrast, is more conducive to auto-oriented development that could induce pass-through traffic to stop, because it has immediate visibility and requires no detour. On the other hand, it would not be a good location for pedestrian-oriented development, because it is a high-speed road with heavy truck traffic.

- **Ambiance.** To achieve a Main Street ambiance, development on Centre Street would have to conform to supportive design standards: limited storefront dimensions, no parking lot between the street and the buildings (parking would be located on side streets or behind the buildings); doors and windows opening toward the street; facades with features of visual interest, etc.

  It is possible that such design standards would discourage some retailers from locating there. It is also possible, however, that zoning flexibility – such as an arrangement for shared parking, as mentioned above – and an expedited approval process could overcome some resistance to these standards.

In the simplest case, Shandon would define two types of commercial uses – those whose primary customer base is local residents and those whose primary base is visitors, including people passing through the area on SR 46 – and then designate two corresponding commercial areas: one on Centre Street and one on the highway. This study, however, is concerned with strategies for magnifying the demand for local-serving commercial uses, and one of those strategies is to capture visitor spending at stores that primarily serve local residents. In that light, it would be advantageous to select a location for a single cluster of commercial activity in Shandon that could capture purchases by both residents and visitors.

CONCLUSION

A population of 6,000 residents is considered the minimum number necessary to attract a supermarket. The existence of two convenience-sized stores (and possibly three or four, assuming construction of the proposed store at the approved gas station and attraction of a new store to the approved commercial center), however, is likely to discourage a national chain from locating in Shandon. Conversely, a major supermarket in Shandon could have a serious adverse impact on the existing stores.

With the amount of growth that could (theoretically) be accommodated on the major land holdings that are expected to be proposed for development, Shandon could grow to a size that will support not only a supermarket but also a variety of other retail and service businesses. Assuming that the maximum population of the community would not exceed 15,000 residents, it is reasonable to expect that most of the new businesses will be locally-/independently-owned rather than branches of chain operations. The precise array of these businesses, therefore, will depend not only on the number and socioeconomic characteristics of the residents but also on the interest of local entrepreneurs in doing business in Shandon.

Looking ahead, it would be advantageous for the residents of Shandon to consider what type of urban form (physical presence) they would like the community to achieve as it grows, and then to adopt planning and zoning regulations that guide development toward that form. Key factors that should be included in this process are:

- **Clustering is Advantageous for Commercial Uses.** Creating one commercial center, rather than a series of smaller centers, strengthens the attraction of the commercial area. Candidate locations for a focus of commercial activity in Shandon are (1) Centre Street in the vicinity of the existing markets, (2) SR 46, (3) the approved commercial center at the east end of Centre Street, and (4) sites on the major properties that will be included in the new Shandon Plan (Arciero/Halpin, Peck Ranch, and MZIRP). New development should be focused in one or, at most, two of these areas, depending on the target market.

- **Different Types of Uses Require Different Locations.** Restaurants and businesses that sell relatively small items are well-suited to a "Main Street," pedestrian-oriented commercial area, whereas businesses that sell relatively large or bulky items are better suited to commercial areas with nearby parking. Some tourist-oriented businesses – those that rely on intentional visits rather than convenience stops – are also well located in a pedestrian, Main Street environment. Businesses that rely heavily on drive-by, stop-in customers, are better suited to a highway location, whereas businesses that rely more heavily on local customers are better off close to the center of the community.

- **Public Assistance May Be Available to Facilitate Commercial Development.** San Luis Obispo County is currently working on a major update to the Shandon Community Plan. Part of the plan will look at zoning, parcel sizes, location of sites with potential for development, and infrastructure needs to determine how best to accommodate new commercial uses. Government assistance may be needed to address infrastructure needs in the existing developed areas. Government entities (County and CalTrans) will also need to work together on issues involving Centre Street (Hwy 41).

  The Economic Vitality Corporation, a local non-profit economic development organization, has programs to assist new business. These include micro loan programs ($500-$10,000) and revolving loan programs (up to $150,000). The Cuesta College Small Business Assistance Center also provides assistance to business such as training in developing business plans, marketing plans, preparing financial projections and analyzing financial information.

APPENDIX A
CALCULATION OF SUPPORTABLE RESTAURANT AND GROCERY STORE SPACE

A conventional method of estimating the population required to support new retail space is to estimate (1) typical sales per square foot of building space per year and (2) typical spending per capita per year for the type of retail store under consideration. This approach was not used as the primary method for this study, because Shandon is located such that standard methods were considered not entirely reliable. At the same time, it is recognized that such calculations might be of interest. This appendix presents the conventional calculations of (1) the amount of space supportable by the existing Shandon population and (2) the critical population size required to support stores of typical sizes, as reported in the interviews summarized in Chapter 3.

For the calculations in this appendix, information is drawn from the following sources:

- Population of Shandon and number of households in Shandon: U.S. Census, 2000 (available on the internet at http://factfinder.census.gov)
- Average household spending in restaurants and grocery stores: U.S. Department of Labor, Bureau of Labor Statistics (on the internet at http://data.bls.gov/cgi-bin/dsrv)
- Average sales per square foot in restaurants and grocery stores: Urban Land Institute, Dollars and Cents of Shopping Centers, 2003

RESTAURANTS

Table A1 calculates the amount of restaurant space supportable by current Shandon residents, based on the number of households (in 2000), average expenditures per household, and average sales per square foot of restaurant space. The table indicates that the average household may be expected to spend nearly $2,900 per year on restaurant meals. All together, 100 percent of spending by the 267 existing Shandon households could be expected to support approximately 2,900 square feet of restaurant space. This amount of space is approximately the size of a standard Round Table Pizza restaurant, or about double the size of a larger Subway franchise, or about one-half the size of a Red Robin or Applebee's. Note that this spending would not fully support a Round Table Pizza (for example) unless all Shandon residents ate 100 percent of their restaurant meals at the same Round Table outlet.

Table A1
Estimate of Restaurant Space Supported by Existing Population

Number of households in Shandon	267
Average expenditure per year per household (2003)	$2,886
Total estimated spending per year in restaurants by Shandon households	$770,720
Average sales per sq. ft. per year*	$265
Sq. ft. supported by local purchases (independent, with liquor sales)	2,900

* Independent restaurants with liquor sales, in neighborhood shopping centers.

Sources: See text, p. A1

Table A2 calculates the amount of restaurant space that would be supported by populations of 6,000 and 10,000 residents. The table indicates that a community of 6,000 residents would support nearly 18,000 square feet of restaurant space and a community of 10,000 would support about 19,700 square feet. At these sizes, the residents of Shandon would have to eat only about 20 to 25 percent of their meals out in the same place to support a single restaurant.

Table A2
Estimate of Restaurant Space Supported by Larger Populations

Population	6,000	10,000
Average household size	3.67	3.67
Households	1,635	2,725
Average expenditure per year per household (2003)	$2,886	
Total estimated spending per year in restaurants	$4,719,600	$7,866,000
Average sales per sq. ft. per year*	$265	
Sq. ft. of restaurant space supported (independent, with liquor sales)	17,840	29,730

* Independent restaurants with liquor sales, in neighborhood shopping centers.

Sources: See text, p. A1

GROCERY STORES

If 100 percent of grocery purchases by Shandon residents were made in Shandon, the community's existing population would support approximately 3,900 square feet of grocery store space if 100 percent of grocery store purchases were made locally. This calculation is shown in Table A3.

Table A3
Estimate of Grocery Store Space Supported by Existing Population

Current (2000) population	986
Average household size	3.67
Number of households in Shandon	269
Average expenditure per year per household (2003)	$4,264
Total spending per year on groceries by Shandon households	$1,138,400
Average sales per sq. ft. per year*	$295
Sq. ft. of grocery space supported by local purchases (supermarket, local chain, full line)	3,900

* Supermarket (local chain, full line), in neighborhood shopping centers.

Sources: See text, p. A1

At present, Shandon has more than 3,900 square feet of space: the Shandon Market has about 3,500 square feet and La Salsa has about 2,000, for a total of about 5,500 square feet. Some of the space in the Shandon Market is occupied by non-grocery items: the store sells some hardware, some convenience household items, and a small amount of clothing; it also has a small food service area, with hamburgers and similar prepared foods.

Given the array of foods available at the two local markets in combination with information obtained from the stores' owners and the desire of Shandon residents for a larger grocery store, it is reasonable to assume that the two existing stores do not capture 100 percent of grocery purchases by current residents. These stores, therefore, are unlikely to be achieving the reported average of $295 per square foot per year in sales.

At the same time, it is likely that a new, larger store would require sales similar to the average for local chains in neighborhood shopping centers – that is, $295 per square foot in today's dollars – to build and operate in Shandon. Table A4 calculates the amount of new space that could be supported by populations of 6,000 and 10,000 residents at this level of sales activity.

Table A4
Estimate of Grocery Store Space Supported by Larger Populations

Population	6,000	10,000
Average household size	3.67	3.67
Households	1,635	2,725
Average expenditure per year per household (2003)	$4,264	
Total estimated spending per year in grocery stores	$6,970,940	$11,618,230
Average sales per sq. ft. per year*	$295	
Sq. ft. of grocery space supported by local purchases (supermarket, local chain, full line)	18,190	33,990

* Supermarket (local chain, full line), in neighborhood shopping centers.

Sources: See text, p. A1

Interviews conducted with supermarket chains (reported in Chapter 3) indicate that store sizes for the chains surveyed start at 20,000 square feet. At the Shandon Advisory Committee meeting of November 2, 2005, Supervisor Ovitt stated that one chain is planning to build a new 14,000 square foot store at Heritage Oaks. Using 14,000 square feet as a starting point, Table A5 calculates the population that would be required to support stores of various sizes.

Table A5
Estimated Population Required to Support Grocery Stores of Various Sizes

Store size (sq. ft.)	14,000	20,000	30,000	50,000
Sales per sq. ft. per year	$294.11	$294.11	$294.11	$294.11
Total annual sales required	$4,117,540	$5,882,200	$8,823,300	$14,705,500
Average expenditures per household per year	$4,264	$4,264	$4,264	$4,264
Households required	966	1,380	2,069	3,449
Average population per household	3.67	3.67	3.67	3.67
Population required	3,545	5,065	7,595	12,660

* Supermarket (local chain, full line), in neighborhood shopping centers.

Sources: See text, p. A1

The table shows that a store of 14,000 square feet could be supported by 3,545 residents – assuming that 100 percent of grocery purchases were made there – and that a store of 20,000 square feet, which is the minimum size indicated in the survey – would require a population of more than 5,000. Because Shandon already has about 5,000 square feet of grocery store space, however, a greater population could be required to attract a new store.

APPENDIX B
SITE SIZES

Chapter 3 (p. 20) states that minimum store size in combination with parking requirements translates into a minimum site size of two acres for Save Mart and a minimum of 3.6 acres for Whole Foods. How do those sizes compare to the typical lot size along Centre Street in Shandon, or to the size of the proposed community shopping center?

Figure B1 shows several blocks of downtown Shandon, as mapped by the County Assessor. The typical block size is 2.75 acres: the block bounded by Hwy. 41 (Centre Street), First Street, Cholame, and Second Street is outlined to illustrate this size.

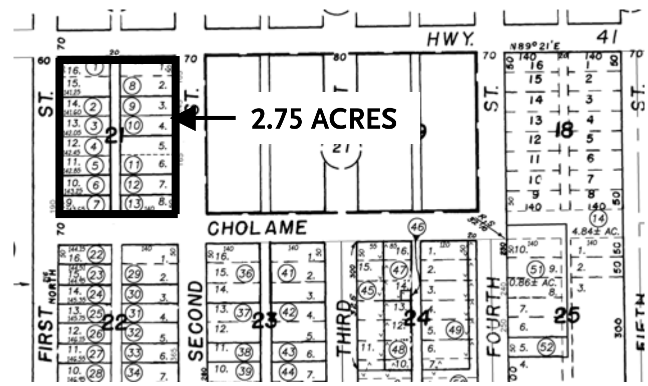

Figure B1
Assessor's Map of Downtown Shandon

Table B1 calculates the size of a site that would be required to accommodate buildings of various sizes that could be used for drug stores or grocery stores. San Luis Obispo County zoning code requires one parking space per 200 square feet of store space plus one space per checkstand plus one space per 600 square feet of storage area. The example given in Chapter 6 assumed a store of 12,000 square feet with three checkstands and 1,000 square feet of the store storage space. In this example, the code would require 60 parking spaces, and the total land area required would be about three-quarters of an acre.

Table B1
Land Requirements for Stores of Various Sizes

Building				Land Requirement			
Store Size (Sq. Ft.)	Check stands	Storage (Sq. Ft.)	Parking (Spaces)	Building Sq. Ft.	Parking Sq. Ft.	Total Sq. Ft.	Total Acres
12,000	3	1,000	60	12,000	21,000	33,000	0.76
15,000	4	1,000	76	15,000	26,600	41,600	0.96
20,000	5	1,000	102	20,000	35,700	55,700	1.28
30,000	6	1,500	152	30,000	53,200	83,200	1.91
40,000	6	1,500	202	40,000	70,700	110,700	2.54

Note: Storage space is assumed to be included in store size.

Source: Mundie & Associates, based on the SLO County zoning code.

Figure B2 illustrates these site size requirements on the Assessor's map of Shandon.

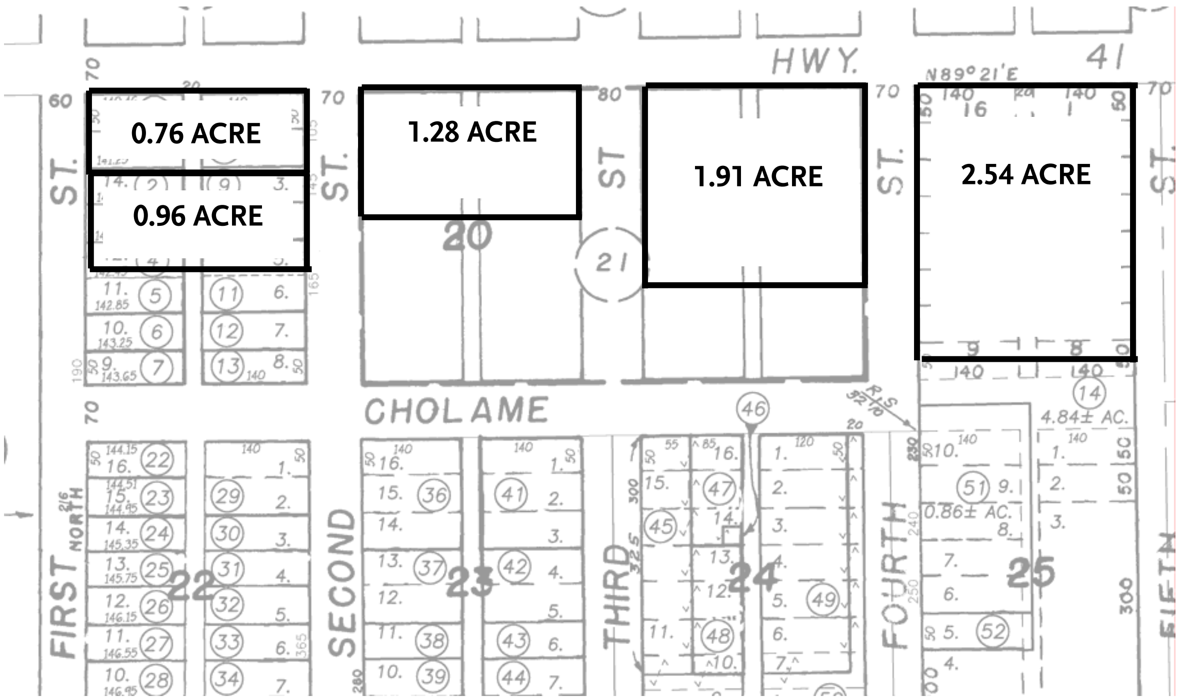

Figure B2
Sizes of Sites Required for Stores of Various Sizes

ABOUT MUNDIE & ASSOCIATES

Mundie & Associates was established in 1981, with a practice emphasizing economic and social aspects of planning and land use. Our practice includes economic and market analysis for plans and major projects, land use-related analysis, fiscal and financial analysis, real estate feasibility analysis, and environmental review.

Mundie & Associates previously worked with the County of San Luis Obispo on the Economic Element of the County General Plan, with the City of San Luis Obispo on background studies for its General Plan, including the analysis of affordable housing requirements, and with the City of Paso Robles to evaluate the potential economic and fiscal impacts of alternatives for the improvement of a segment of State Route 46. Other small, nonmetropolitan communities for which M&A has provided consulting services include Clayton, Cloverdale, Hollister, Lodi, Porterville, and Susanville.